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Gambling on casinos to
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Not the prettiest place to
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The World's Youth
Hope overshadowed
by uncertainty
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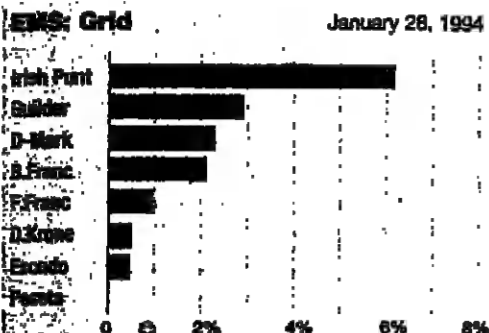
Sinn Féin leader allowed to enter US for conference

Gerry Adams, president of Sinn Féin, the IRA's political wing, is to be allowed to attend a conference in New York tomorrow on Northern Ireland. Adams, repeatedly denied admission to the US over the past 20 years because of alleged "involvement in terrorism", will make the visit under strict conditions. He will stay only 48 hours, be barred from travelling more than 25 miles from New York and will not be allowed to engage in "direct or indirect fund-raising", a US administration official said.

SA elections face boycott: South Africa stepped closer to ethnic conflict as the Zulu Inkatha Freedom party and extreme right Afrikaner Volksfront demonstrated opposition to April's all-race elections due in April. Page 16

Banesto rescue plan takes shape: Banco Bilbao Vizcaya and Banco Santander are seen as the contenders to control Banesto, the Spanish banking group, according to a rescue plan agreed by the Bank of Spain and the private banking sector. Page 17; **Lex**, Page 16

European Monetary System: The Danish, Spanish and Portuguese currencies last week shrugged off minor interest rate reductions and caught up slightly with other members of the European exchange rate mechanism. The D-Mark ended the week on a firm note but was still only the third strongest currency in the system. Currencies, Page 29



The chart shows the member currencies of the exchange rate mechanism measured against the D-Mark, the base currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of the central rate against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Balladur aims to boost economy: Prime minister Edouard Balladur announced measures to stimulate France's struggling economy and curb the rise in unemployment. Page 16

Companies eye Ferranti: UK, French and US companies are serious candidates to take over the bulk of the defence electronics operations of Ferranti, the UK group which went into receivership in early December. Page 17

Doctors killed by avalanche: Five British doctors and their ski instructor were killed by an avalanche in the Val d'Aoste area of the French Alps. Another British doctor survived a night in the open after freeing himself from the snow.

Pledge by Marchais successor: Robert Hue, 47, took over as French Communist party leader from Georges Marchais, and called for broader participation in policy-making as the way to reverse the party's electoral decline. Page 2

April lift-off for Eurofighter: The Eurofighter 2000, developed jointly by Britain, Germany, Italy and Spain, is expected to make its maiden flight in April, more than two years later than originally planned. Page 6

Algeria names president: Algerian defence minister Lamine Zouari will be sworn in today as president, replacing an unelected five-man presidency installed after multi-party elections were cancelled two years ago. Page 4

EU tackles China trade row: European Union diplomats will meet in Brussels this week to try to decide whether to recommend abolition or harmonisation of national quotas on Chinese imports such as bicycles, kitchenware, training shoes and toys. Page 5; **Editorial Comment**, Page 15

Exclusive call by Saudi royals: The Saudi royal family has secretly commissioned a mobile telephone network for its exclusive use from Siemens, German electronics group. Page 16

Russian price controls urged: Veteran economists have urged the Russian government to impose a "correct" price control in the economic changes. Page 2

Cures for ailing air industry: Greater competition, heavy cost-cutting and tougher curbs on state aid are expected to be urged by a long-awaited report on the future of the European Union's airline industry due out tomorrow. The industry lost \$700m in 1992. Page 2; **UK air engine power record challenges US**, Page 3

No Bundesbank reserves for ERM: Bundesbank president Hans Tietmeyer ruled out transferring any of the bank's reserves to the new European Monetary Institute, saying the EMI would have only an advisory role through-out the so-called phase two of the process towards European monetary union. Page 3

Youngest grandmaster: Peter Leko of Hungary, aged 14 years and four months, became the youngest chess grandmaster by finishing third in the Wijk aan Zee tournament in the Netherlands. Grandmaster is the highest ranking award from world champion.

Arafat says agreement on Palestinian self-rule could be signed soon

Israel and PLO close to deal

By Ian Rodger in Davos and
Julian O'Sullivan in Jerusalem

Israel and the Palestine Liberation Organisation were last night on the verge of a breakthrough agreement which would allow for an Israeli withdrawal from the Gaza Strip and Jericho, according to Mr Yasser Arafat, PLO chairman.

Mr Arafat said after a marathon session of talks with Mr Shimon Peres, Israel's foreign minister, at the World Economic Forum in Davos, Switzerland, that an agreement on implementing Palestinian self-rule could be signed at a summit in Cairo "very soon".

Palestinian officials said an agreement was prepared and waiting for approval. Mr Arafat said he hoped remaining difficulties would be ironed out in talks last night.

Neither side gave details of the draft deal, but Israeli officials in Jerusalem said the critical breakthrough in Davos had been broad agreement on security at border crossings between Gaza and Egypt and between Jordan and Jericho. The issue, along with disagreements over the size of the Jericho area and the security of Israeli settlers, has dogged moves to implement the initial accord signed last September.

The two sides agreed that although most Israeli security checks of Palestinians crossing the borders would be conducted "invisibly" by electronic means, Israel could retain the right physically to check Palestinians suspected of security violations, Israeli officials said.

The PLO had withdrawn its demand to control the roads leading to the crossings in return for an Israeli concession to grant the Palestinians access corridors



Marathon session: Israeli foreign minister Shimon Peres (left) and PLO chairman Yasser Arafat at the World Economic Forum in Davos

from the self-government areas to the border crossings.

Officials said a copy of a draft wording on the border issue had been sent to Mr Yitzhak Rabin, Israel's prime minister, and returned largely approved but with some reservations to Mr Peres for last night's negotiating session.

Israel also conceded safe passage of Palestinians by land corridor to the religious site of Nebbi Musa and to the northern Dead Sea where Israel and the PLO will establish a joint-venture tourist resort.

On the second substantive obstacle - the size of the Jericho area - a final area of around 60sq km had been agreed between the two sides, the officials said. Israel had previously offered 25sq km and the PLO had demanded 94sq km.

Officials said last night's talks would focus on the last major outstanding issue - the security arrangements for Jewish settlers who will remain in Gaza. Israel has demanded a wide area of operation - up to 46 sq kms - to protect Israelis in their settlements and on roads between the

settlements and Israel. Hailing yesterday's progress, Mr Arafat and Mr Peres saluted each other warmly on the platform at Davos in front of an audience of 800 business leaders from around the world.

Mr Arafat thanked Mr Peres "for his positive stance which I had felt and touched during these talks". Mr Peres paid tribute to Mr Arafat's "supreme effort to bring our two peoples together in the domain of peace and hope".

Mr Peres invited business leaders from the US, Europe and Japan to come to a regional eco-

nomie conference being planned for Amman later this year to help "to build the new Middle East".

Both men, aware of the composition of the audience, emphasised the need for building "an economic platform" on which an enduring regional peace could be erected. Mr Arafat said Palestine needed nothing less than a new Marshall Plan. Palestine was in danger of becoming another Somalia, with 68 per cent unemployment in Gaza, but it had an educated and skilled labour force.

Mr Peres said the venture was an outgrowth of GE Capital's existing power financing business, which until now has focused mainly on the US market where it has financed more than \$7bn of projects through a mixture of debt and equity.

Mr Wendt said Mr Soros's involvement in the venture

Soros and GE plan developing world fund

By Martin Dickson in New York

Mr George Soros, best known as the currency speculator who made massive profits betting against the pound during the 1992 sterling crisis, is joining forces with GE Capital, the financial services arm of America's General Electric, to raise \$2.5bn to invest in power projects in the developing world.

The fund should give a strong boost to General Electric's power plant manufacturing business as it fights for global market share against rivals such as Europe's Asea Brown Boveri.

Cash-strapped governments in developing countries, particularly in Asia, are increasingly willing to allow private sector capital to finance new electrical power plants.

\$2.5bn venture to finance electrical power plants

The venture represents a further shift in Mr Soros's investment strategy which has been mainly concentrated on volatile debt, equity, currency and commodity markets. Last year he moved into property.

GE Capital and Quantum Industrial Holdings, a new fund to be managed by Soros Fund Management, will each invest \$200m in the new venture, called Global Power Investments.

The International Finance Corporation, the private financing arm of the World Bank will be the third founding partner. The IFC's planned \$50m investment in the fund is awaiting formal approval.

The partners plan eventually to

raise \$2.5bn in equity finance from a wide variety of investors, ranging from businesses with interests in the construction or operation of power projects to passive investors who believed this was a growth market.

The venture's initial focus will be on Asia - particularly China, India and Indonesia - and on Mexico. GE Capital and various partners are currently in advanced discussions about projects in each of these four countries.

The fund is believed to be the first of its kind, although vehicles have been formed before now to invest in individual developing world power projects.

Mr Gary Wendt, chief executive

of GE Capital, said the venture was an outgrowth of GE Capital's existing power financing business, which until now has focused mainly on the US market where it has financed more than \$7bn of projects through a mixture of debt and equity.

Mr Wendt said Mr Soros's involvement in the venture

stemmed from a friendship between a senior GE Capital executive and an associate of Mr Soros.

"Mr Soros has not only a large amount of money at his disposal but a keen understanding of the rest of the world," Mr Wendt added. "He is a true international investor. Marry that with GE's international activities and we think we have an excellent combination."

Israeli minister may quit, Page 4

Russia will cut aluminium output in international deal

By Kenneth Gooding, Mining
Correspondent, in London

Russia is to cut its annual aluminium output by 500,000 tonnes, or about 15 per cent, for two years as part of an unprecedented international trade deal agreed at the weekend by the world's leading aluminium-producing countries.

Western producers are expected to follow Russia's lead with reductions which will cut back global aluminium output by 1.5m to 2m tonnes - or about 10 per cent.

The arrangement aims to end growing friction between Europe, the US and Russia over aluminium supply surpluses that last year produced record stockpiles of the metal and cut prices by half to record lows.

Nearly two-thirds of the former Soviet Union's aluminium was used by the military but is now being exported. This has boosted CIS aluminium exports from 250,000 tonnes in 1989 to an

estimated 1.6m tonnes last year.

In the west, where aluminium is used mainly for transport equipment, construction and packaging, producers have already cut annual output by 1.4m tonnes or nearly 10 per cent of their total capacity. But stocks have continued to accumulate at the rate of 1.8m tonnes a year. Many producers were unwilling to make further cuts unless Russian industry shared in the reduction.

Now a formula to bring the market back into balance has been approved by trade representatives from Australia, Canada, the 12-nation European Union negotiating as one, Norway, Russia and the US.

Mr Georgy Gabuniya, Russia's deputy foreign trade minister, said after tense discussions last week with the republic's smelter managers that Russia would cut its output by 300,000 tonnes in the three months beginning tomorrow and then by a further 200,000 tonnes in

the following three months.

The memorandum of understanding accepted by the aluminium producers at the weekend provides no specific targets for individual western countries because of anti-trust problems. The trade delegates hope they can convince anti-trust authorities in the US and elsewhere that the aluminium industry is reacting to market forces rather than acting as a cartel aiming to lift prices.

Production cuts will be monitored by the International Primary Aluminium Institute, a London-based data collecting organisation. There is to be another meeting between the trade delegates in Canada at the end of February to assess whether the scheme is working properly.

If it does work, the EU will almost certainly drop the restrictions on CIS aluminium imports it imposed last August to safeguard the European industry.

Country	Code	Value	Country	Code	Value	Country	Code	Value
Austria	3563	1000	Denmark	2458	1000	France	3563	1000
Belgium	3563	1000	Germany	3563	1000	Italy	3563	1000
Canada	3563	1000	Greece	3563	1000	Japan	3563	1000
Czech Rep	3563	1000	Hungary	3563	1000	South Korea	3563	1000
Denmark	3563	1000	Ireland	3563	1000	Taiwan	3563	1000
Egypt	3563	1000	Italy	3563	1000	Thailand	3563	1000
Finland	3563	1000	Japan	3563	1000	UK	3563	1000
France	3563	1000	Korea	3563	1000	USA	3563	1000
Germany	3563	1000	Luxembourg	3563	1000			

This announcement appears as a matter of record only

The Government of Hungary
through the Hungarian State Holding Company
has sold a 30 per cent shareholding in

Hungarian Telecommunications
Company Limited
for
US\$875 million

to a consortium consisting of
Deutsche Bundespost Telekom
and
Ameritech International Inc.

The Government of Hungary was advised by



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NEWS: INTERNATIONAL

Russian report urges pay and price controls

By Leyla Boulton in Moscow

Veteran economists who failed to convince President Mikhail Gorbachev to start market reforms have included wage and price controls in recommendations to the new government to help "correct" President Boris Yeltsin's economic changes.

A report drawn up by a team including Prof Stanislav Shatalin, father of the radical 500-Day Programme, and Dr Leonid Abalkin, a former presidential adviser who opposed the 500-Day plan, was commissioned by the government in its desperate search for "non-monetary" methods to fight inflation.

The report sums up all the hopes of opponents of liberal reforms that painful financial stabilisation can be avoided

and that the government can reimpose controls for which it no longer has the levers.

Arguing that liberalising energy prices in a still-monopolised economy would only fuel inflation and cut industrial production further, the report proposes fixing prices for raw materials and rail transport.

Through these price controls - with taxes imposed on producers which sell for free prices to subsidise the companies which have to operate under fixed prices - it hopes to restructure Russia's skewed price structure. The liberals who have lost power say that the only way to eliminate the imbalances which mean that industrial prices are higher than agricultural prices is to force enterprises to behave in a more market-orientated way by

Chernomyrdin doubles forecast of year-end inflation

Mr Victor Chernomyrdin, the Russian prime minister, at the weekend doubled his own forecast of year-end inflation to 15-18 per cent a month, in the clearest indication yet that he will abandon the country's radical reformers' fight against inflation, write Leyla Boulton in Moscow and Ian Rodger in Davos.

In Davos for the World Economic Forum, Mr Chernomyrdin reiterated his commitment to continue market reforms, saying that he hoped to "reduce" inflation to 15-18 per cent a month by December after "keeping" it at 20 per cent in the first half of this year.

reducing their state subsidies. The report also proposes to "mobilise domestic savings" to help stabilise the economy but does not say how this can be

The new target not only overlooked the fact that inflation was brought down to 12 per cent in December by his former finance minister, Mr Boris Fyodorov. It also marked a sharp increase in the 8-9 per cent target he himself produced when he first announced "corrections" to radical reforms less than two weeks ago.

However, he said that Russia would push "full steam ahead" with economic reforms and that he wanted Russia to become fully integrated into the international economy through membership of leading economic institutions and also the European Union.

He urged that the Group of Seven leading industrial nations - the US, Japan, Germany, Canada, France, Italy and Britain - be expanded to a "Group of Eight" to include Russia.

"The reform in Russia is irreversible. We will never turn back from the course we have taken," he said. "I am not in favour of controls on wages or on the supply of goods to the population," he said.

"As a manager in the Soviet Union I learned myself through bitter experience what the socialist system of distribution is."

not to rely on external assistance for reforms.

The team urges rejection of voucher privatisation - due to come to an end on July 1 any way - and calls for more active intervention by the state in how enterprises are privatised and restructured.

Accusing the outgoing radicals of "naïve faith that monetarism will automatically lead to economic recovery", the report nonetheless urges a tough monetary and fiscal policy, and selective support for industry, both of which have been government policy for two years.

Prof Shatalin admits that printing money to finance the extra expenditure would fuel inflation but justifies it by saying "if the money leads to higher output and more goods, that will reduce inflation".

Bundesbank will not pass reserves to EMI

By Ian Rodger in Davos

The Bundesbank's president, Mr Hans Tietmeyer, has ruled out transferring any of its currency reserves to the newly-established European Monetary Institute.

Speaking at the annual meeting of the World Economic Forum in Davos, he stressed that the EMI would have only an advisory role throughout the so-called phase two of the process towards European monetary union. Responsibility for monetary policy would remain in the hands of member country central banks.

He pointed out that, according to the Maastricht treaty, important decisions of the EMI during this period would have to be unanimous.

The treaty permitted central

banks to transfer reserves to the EMI, but Mr Tietmeyer said he had not heard of any country willing to do so. "The Bundesbank will not do this. We feel we are equipped to manage our reserves in the appropriate way. Of course this will change when we move into the situation of a European central bank."

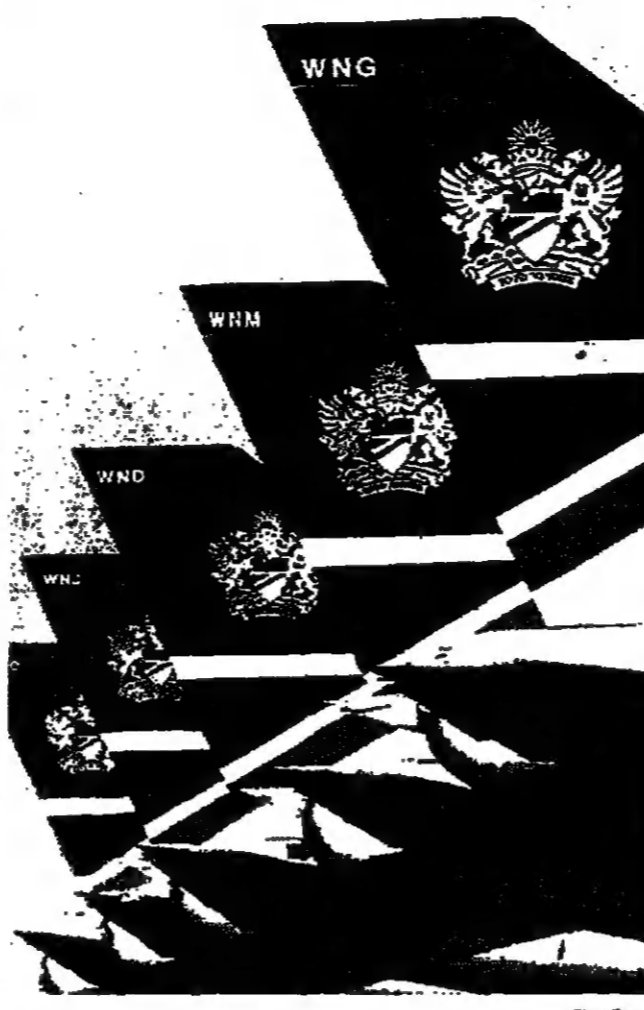
He also cautioned the EMI against promoting the Ecu as a currency. "The EMI's task is to facilitate but not to promote the Ecu. The Ecu is not a currency. It is a basket, and there are exchange risks in it during phase two."

The EMI, which is to be located in Frankfurt, began work on January 1 and has the task of preparing the ground for eventual monetary union, due in 1998, Mr Tietmeyer said.

he did not believe lasting monetary union could be achieved without a parallel political union of EU countries.

He said numerous issues connected with monetary union still had to be resolved, including what the main policy aims of a European central bank should be. While the Bundesbank set priority on money supply targets, the Bank of England stressed price stability, and other countries pursued exchange rate policies, he said.

Mr Jean-Claude Trichet, governor of the Bank of France, said the EMI's most important task was to prepare the ground for monetary union, seeking solutions to technical obstacles in member countries and promoting standardisation of statistics.



Tails up. British Airways is among a group of airlines likely to use the report to press for extension of the "open skies" policy

EU's airlines face flying with less aid

By Lionel Barber in Brussels

The long-awaited report by the "committee of wise men" on the future of the European Union's airline industry due out tomorrow is expected to call for greater competition, heavy cost-cutting and tougher curbs on state aid.

It is also believed to rule out creation of a special fund to prop up the region's ailing airline industry beyond what is already available under the European Union's social fund. The European Commission ordered the creation of a committee of wise men last summer to analyse and propose possible cures for the crisis in the industry, which lost \$700m (\$466m) in 1992.

The group was headed by Mr Herman de Croo, former Belgian transport minister. It also included representatives of the travel and tourism industry, as well as trade unions.

Its recommendations may draw fire from state-owned carriers such as Air France,

Italy's Alitalia and Belgium's Sabena who remain worried about progress toward US-style deregulation. During hearings last autumn, this French-led coalition called for a freeze on air capacity to prevent the slump in air fares. They also argued that some financial aid was necessary to help them restructure and tackle low-cost US competition.

On the other hand, a UK-led group of airlines is expected to use the report to press for an extension of the "open skies" regime and a ban on government subsidies to national flag-carriers.

The report itself does not rule out state aid, but suggests that it should be granted only in very limited circumstances. Last year the Commission authorised a £175m (£167m) equity injection by the Irish government into Aer Lingus, but attached strict conditions.

The report's findings are non-binding and will be discussed at an informal meeting of EU transport ministers in Athens on February 7.

Germany faces week of protests and stoppages

By Christopher Parkes in Frankfurt

Germany is bracing for strikes and demonstrations in the engineering sector this week as the unions step up their fight over pay and benefits. Workers in several factories briefly

downed tools on Saturday fore-shadowing what the unions hope will be a wave of action throughout western Germany.

The IG Metall union has set a two-week deadline for employers to make a "serious" wage offer, after which formal strikes would be unavoidable. In the first phase of pay talks regional employers' groups refused to discuss IG Metall proposals for between 5.5 per cent and 6 per cent more pay. Although the union has said

it would accept less in return for job guarantees or promises of fewer redundancies, the employers are understood to be seeking further concessions, including reductions in holiday pay and changes to the basic agreement.

IG Metall has said it will call warning strikes - usually stoppages of up to an hour or more - in selected companies starting today. Although they represent the lowest step on the escalation ladder, such strikes can be severely disruptive, interrupting just-in-time deliveries to other companies, for example.

Asa Brown Boveri, one of Germany's biggest engineering concerns, warned last week that it could not be blackmailed by strike threats. The

Swiss-based multinational could move production to other bases, even in eastern Europe, at short notice, according to Mr Eberhard von Koerber, head of ABB's German operations. Whether the work would later come back to Germany was another question, he told journalists in Baden-Baden.

Mr Dieter Kirchner, head of the Gesamtmetall engineering employers' association, told Bild am Sonntag newspaper yesterday that even the unions conceded that 10 per cent of companies in the sector would go bankrupt in a strike. "That means that hundreds of thousands of jobs will be destroyed," he said.

However, industry executives are confident that serious conflict will be avoided because they doubt union members have the heart for a struggle. The automotive and mechanical engineering industries alone shed 240,000 jobs last year. Many large companies have also negotiated in-house deals, diluting the traditional national pattern of agreements, but often incorporating measures to protect jobs.

Moslems claim thousands of Croat forces have been thrown into war

Zagreb denies troops in Bosnia

By Laura Silber in Belgrade

Officials in Zagreb have denied that thousands of Croatian army troops are fighting Moslems in central Bosnia, contradicting mounting evidence of Croatian and Yugoslav military involvement in carving out ethnic mini-states in Bosnia.

Zagreb and Belgrade have consistently denied that they are trying to partition Bosnia between themselves at the expense of the Moslems. But the recent accord signed by Croatia and Serb-led Yugoslavia to normalise relations has compounded fears that the two states are intent in carrying out the carve-up.

The head of the Croatian army political section, Mr Drago Krpina, admitted on Saturday that up to 2,000 private

citizens may be fighting as volunteers in Bosnia, adding that some may be wearing Croatian army insignia.

His denial of Croatian troop involvement was followed by a Sarajevo radio report that the Croatian army yesterday used helicopters to bombard Kute, a village in central Bosnia.

In a statement yesterday the mainly Moslem Bosnian army said that the Croatian army had deployed its seventh brigade to fight in disputed towns in central Bosnia, even sending 12,000 fresh troops, bringing the total to some 20,000 regular soldiers of the Croatian army, according to Sarajevo radio.

UN officials say some 5,000 Croat army troops with helicopters, tanks and other military hardware have been deployed in Bosnia.

Despite frequent threats, the

international community has stopped short of imposing economic sanctions on Croatia, like those in force in Serbia.

Meanwhile, General Momcilo Perisic, chief-of-staff of the Yugoslav army, in an interview yesterday, denied any involvement in Bosnia. However, UN soldiers and local inhabitants have repeatedly witnessed the despatch of Yugoslav troops and equipment across the frontiers.

Soldiers from the elite paratroop unit, the 53rd brigade from Nis in eastern Bosnia, have reportedly helped execute big offensives launched by their Bosnian Serb counter-

parts, according to UN officials. Despite the abundant evidence of Yugoslav army involvement, western governments have remained silent,

apparently at a loss after 20 months of punitive sanctions against Belgrade have failed to prevent the carve-up of Bosnia.

But a recent report in the magazine Aviation Week and Space Technology says that the CIA is sending two unmanned reconnaissance aircraft to Albania to monitor troop movements, which suggests that they are planning to gather aerial satellite reports.

Britain today will resume its relief convoys in Bosnia, ending a three-day suspension following the murder of an aid worker, Mr Paul Goodall.

The Overseas Development Administration yesterday said the 85 Britons would return to their convoy teams in Bosnia. UN relief officials said the Bosnian government had announced the detention of four suspects.



Hue: wider participation

Marchais successor in pledge on policy

By John Riddick in Paris

Mr Robert Hue, elected at the weekend to lead France's Communist party, called for broader participation in policy-making as the way to reverse the party's electoral decline.

But he indicated there would be no marked departure from the policies pursued over recent years by Mr Georges Marchais, the veteran party leader who stepped down after 22 years as general secretary.

"I will be the leader of continued change," Mr Hue said in a newspaper interview.

Mr Marchais, unexpectedly, will retain a seat on the party's national committee, the top executive body. Mr Hue, however, stressed that he would be independent in his leadership. "Georges is not trying to cling on, and I am not under the guidance of anyone," he said.

According to Mr Hue, the party congress in Saint-Ouen, a Paris suburb, had agreed to "confirm and extend the renovation of the party" which has seen its share of the vote fall from almost 25 per cent in the early-1970s to 9 per cent in the first round of last spring's general election.

"We must do everything for and by democracy, through the development of the participation of workers, citizens and the people," said Mr Hue.

The congress voted to approve new statutes which say policy must now be built on a diversity of opinion, representing a move away from the principle of democratic centralism.

But the move was not enough for some reformers within the party who have argued a bigger break from the orthodox Communist policies pursued by Mr Marchais, and who blame his hardline views for the party's decline. Mr Charles Fiterman, a former transport minister and a leader of a reformist faction within the party, announced at the congress that he would step down from the party's leadership because of its failure to modernise.

Mr Hue hinted at the possibility of co-operation with the Socialist party but said all parties of the French left needed to rethink their strategies.

"The Socialist party was in power and its policies were massively condemned by the people," said the Communist leader, adding that the left "has to start again."

Mr Hue said that his immediate priority was to prepare the party for cantonal elections in March. "Many people have expressed their opposition to the policies of the right, and these elections will be their first opportunity to express their opinions." He declined to say whether he sought to head the party's list for the forthcoming European parliamentary elections.

Mr Hue, 47, is little-known outside the Communist party, which he joined at the age of 16. A male nurse by training, he became a full-time party bureaucrat and has been a member of the party's central committee for the past six years.

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French sing a song of Francophilia

France is having a fit of the Francophiles and that's official. A Paris-based organisation called Francophiles will this week be promoting French songs in all of New York's French restaurants, in Amsterdam, Madrid, Copenhagen, Mainz and Berlin, and inside France mounting no fewer than 1,500 concerts, radio shows and school lectures in performance and praise of "the French song".

All this is the brainchild of Mr Jacques Toubon, France's culture minister who last week criticised Eurotunnel for dubbing its new subterranean rail transporter "Le Shuttle" instead of "La Navette". The government, said Mr Toubon, "refuses to consider the English language as an inevitability".

But, in the view of France's eight national FM radio networks, a more serious form of Francophilia is about to be imposed on them in the form of a law that within two years will force

them all to raise the French content of the music they broadcast to a minimum of 40 per cent - half of that quota must come from "new French talent".

The bill, approved by parliament in December, has just been declared in keeping with the French constitution, and is expected to be passed into law this week. But Mr Jacques Pons, secretary general of the SBN radio stations association, said: "We remain opposed to this infringement of the freedom of expression, and we are taking legal advice to see if it is contrary to European law".

The current drive to protect French culture is thus for the first time creating internal controversy, compared to just the international row with the US

caused by France's domestically popular and successful defence of its television quotas in the Gatt negotiations. The reason is simple. The eight FM networks have all carved out separate niches for themselves, partly by varying the amount of French songs they play. This diversity has, up to now, been recognised by the CSA broadcast-

ing authority which has in fact negotiated a range of French content quotas that go from 50 per cent for Radio Nocturne, with its bent for accordion-playing and crooning, down to 15 per cent for the Fun and Skyrock stations.

"Some 50 new French records come out every month," explains Mr Andrew Mandersham, head of the RPM popular radio network. "If we all have to go for

the same new records - because of the new talent requirement - we will end up pumping out the same music."

Listeners will lose out in having less choice, and if they switch off, so will the recording industry that has strongly backed the new law, he points out. Mr Pons himself is angry, not because his M40 station which specialises in new French songs cannot meet the law's requirement, but because if all other radio stations do so too, "we would have no point in existing".

There is clearly a market for chauvinists. Skyrock itself has just set up Chante France, a Paris radio station with the jingle: "After Verlaine, Jeanne d'Arc and Charles de Gaulle, you now have Chante France, with 100 per cent French songs". But even Chante France is anxious about keeping its raison d'être as a distinctively French world.

UK air engine power record challenges US

By Paul Betts in Seattle

The multi-million dollar race to build the most powerful commercial jet engine was intensified this weekend by the announcement that Rolls Royce, the UK aero-engine manufacturer, has set a world record by running its Trent 800 engine at 108,000 lbs of thrust.

By topping the record of 105,400 lbs, set last year by General Electric of the US with its new GE 90 engine, the UK company has challenged its bigger US rival in the fierce competition to develop very large engines to power the new generation of twin-engine wide-body airliners.

GE, which said its new engine had been designed to reach eventual thrusts of as much as 115,000 lbs, is likely to respond by running its new engine above Rolls Royce's latest level.

There is at present no market demand for engines of 100,000 lbs thrust or more but GE and Rolls Royce appear anxious to show airline customers that their new large commercial engine programmes can meet potential demand for bigger and heavier derivatives of the new Boeing 777 twin-engine wide-body airliner and super jumbo 600-800-seat aircraft now under study.

Pratt and Whitney, the other big US aero-engine maker, is working on a more powerful derivative of its PW4000 engine to equip this new generation of big airliners, but it has yet to run its engine at above 100,000 lbs of thrust.

The stakes are high because of the huge cost of developing these engines. GE - with its French, Japanese and Italian risk-sharing partners - is spending \$1.2bn-\$2bn (\$800m-\$1.3bn) on the GE 90 programme. Rolls Royce is investing about \$400m to develop its Trent engines, derived from its RB211.

The competition is all the more fierce because there is in prospect only one market application for these new engines - the Boeing 777, due to be rolled out for the first time in April.

All three manufacturers are also in combat over a \$400m engine order from Japan Air

lines (JAL), which is expected to choose next month the engine for the 777s it has ordered. JAL has placed firm orders for 10 777s and options for 10 more.

The JAL deal would boost the winning maker because large orders continue to be rare in the depressed commercial aircraft market even while makers are having to invest heavily in developing new big engines.

But they expect demand for bigger engines to grow in the longer term. GE estimates a potential market of up to 2,000 wide-bodied aircraft between now and 2012.

Boeing has indicated it requires at this stage thrust ratings of no more than 76,000 lbs and 94,000 lbs for the first two versions of its 312-400 seater 777s, but the engine makers are anticipating demand for heavier versions of the aircraft as well as development of other new large aircraft.

"Aircraft always get heavier, and the heavier versions have traditionally sold best," said Mr Russ Sparks, GE 90 programme manager.

Rolls Royce announced this month its intention to certify its Trent 800 engine for the Boeing 777 at 90,000 lbs thrust, instead of the originally planned 84,000 lbs, to demonstrate the growth potential of the engine. GE said it could offer customers 92,000 lbs of thrust very quickly with the first engine it is to certify at 84,000 lbs thrust in November.

While flexing their technological muscle, the engine makers are also in a race to cut costs. In the absence of an immediate market recovery and amid fierce competition, Mr Brian Rowe, chairman of GE's aircraft engine division, said the priority remained to drive down costs.

GE, which has set the pace in industry restructuring, expects to drop another 2,000 people from its aircraft engine business this year. This will bring its worldwide aircraft engine workforce down to 22,000 by the end of the year, from 26,000 at the end of last year and 40,000 in 1986. Rolls Royce is also shedding jobs. It announced last year it was dropping 8,000 jobs between 1993 and 1994, to bring down its aero-engine workforce to about 24,000 by the end of this year.

Kohl heads west thinking of east

By Judy Dempsey and Ariane Genillard in Bonn

Mr Helmut Kohl, the German chancellor, begins today a two-day visit to Washington which, according to diplomats, will focus mainly on developments in Russia.

Germany and the US are increasingly aware that Nato's Partnership for Peace programme, designed to lead to more co-operation with the countries of eastern Europe, will also have to evolve into a new security structure.

German diplomats say that Washington and Bonn will now have to decide what form any additional aid to Russia should take after the resignation of key reformers from the Moscow government. They will also have to agree on what

relationship they want with both the ousted reformers and the new cabinet.

However, there is concern in Germany that the rise of Mr Vladimir Zhirinovskiy, leader of the Russian far-right Liberal Democratic party, is forcing European Union members and the US to focus too much attention on Russia at the expense of integrating eastern Europe at a faster pace.

German officials in Washington are likely to repeat that eastern European countries require crucial economic assistance via greater trade liberalisation. "It is not just the Partnership for Peace which must serve as a psychological anchor for eastern Europe, [so should] the economic sphere," a senior German diplomat said. He added that greater liberal-



Kohl: Off to Washington

isation, from the EU and the US, for imports from eastern Europe, as well as greater sup-

port for creating cushions against the reforms in the region, were crucial for eastern Europe's stability.

At the recent Nato summit in Brussels, President Bill Clinton stressed the need for greater investment in eastern Europe. But German officials, despite resistance from Germany's agricultural and steel lobby, still insist this be coupled to greater market access.

Also, Mr Kohl will lobby Washington for the US business community to invest in both eastern and western Germany. Mr Clinton, however, is expected to remind Mr Kohl that breaking into the German market, especially eastern Germany, has proved difficult because of resistance from monopolistic structures and high labour unit costs.

Venezuela defence minister dropped

By Joseph Mann in Caracas

The decision by Venezuela's president-elect, Mr Rafael Caldera, to replace the minister of defence and the military high command caused an angry public response from the outgoing defence chief at the weekend, raising fears of a new military confrontation in the country.

The outgoing minister, Vice-Adm Rádamés Muñoz León, said that he and the high command were "humiliated" by the president-elect. The admiral warned

this would cause splits in the military.

He noted that the high command had consistently supported democracy but he expressed concern at what the new, "precarious government" would do. Mr Caldera won the presidency last month with only 30 per cent of the vote in a poll with a 40 per cent abstention rate.

Vice-Adm Muñoz said that he and the other six members of the military high command would formally resign today. The incoming government has announced that the new minister will be an army

officer, Maj-Gen Rafael Montero Revette.

Mr Caldera, 78, who is to be inaugurated as president on Wednesday, seems to have decided to change the high command so as to give his government a fresh image. However, the move was seen as an unnecessary shock while Venezuela is in a period of political instability.

In 1992 there were two coup attempts. Last year a wave of bombings hit the capital and political upheaval attended the fall of President Carlos Andrés Pérez, who faces corruption charges.

Futures trading loss at Codelco may hit \$200m

By David Pilling in Santiago

Codelco, Chile's state copper company, yesterday admitted that losses on futures trading over the past four months amounted to a "provisional" \$200m (£133m), double the figure announced last week.

Mr Juan Pablo Dávila, Codelco's chief futures trader, is alleged to have committed a series of errors - without the knowledge of his superiors - which led to the unprecedented loss.

"Unfortunately, in the past two days, we have detected that there were also operations in gold and silver... in which we have made losses of more than \$50m," said Mr Alejandro Noemi, Codelco president. Losses in copper futures were about \$150m, he said.

Mr Noemi said internal controls - including ones that set a maximum loss of \$1m in any single operation - had proved ineffective. "The failure of these controls permitted Mr Dávila to lead the company to this disaster," he said.

Mr Dávila, who has admitted through his lawyer to having conducted loss-making transactions, has been helping Codelco

executives to quantify the extent of the problems. However, he has been unavailable for public comment.

Mr Noemi refused to answer questions as to how Mr Dávila, acting alone, could have extended lines of credit with brokers above normal limits. "I have to keep this secret," he said.

Mr Jorge Bande, acting vice-president for marketing, said: "We are investigating who requested the lines of credit, if they were indeed requested, and who approved them, if they were approved."

Referring to reports that Mr Dávila had committed Codelco to futures contracts involving 1.8m tonnes of copper, Mr Bande said: "This figure appears enormous, being nearly twice Codelco's [annual] production. But you have to understand that these operations involve entering and leaving the market several times a day. Therefore the operating volume could reach 1m tonnes or more."

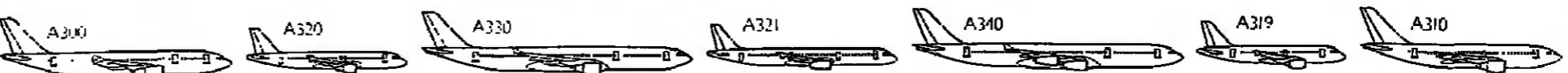
About half of these contracts, maturity dates for which will come due throughout 1994 and 1995, remained open, he said.

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LEGAL NOTICES

NOTICE OF APPOINTMENT OF BEWINDVOERDERS ("ADMINISTRATORS") TO ALL DEPOSITORS AND ALL OTHER CREDITORS OF BANCO LATINO N.V.

PLEASE TAKE NOTICE that on January 19, 1994, a petition was filed on behalf of BANCO LATINO N.V., a corporation domiciled and with its place of business in Curacao, Netherlands Antilles, for the purposes of obtaining for the benefit of BANCO LATINO N.V. a provisional official moratorium. With application of article 206 of the Bankruptcy Act of 1931, the provisional official moratorium was granted on such date by the Court of First Instance of the Netherlands Antilles and Messrs. J.M. Hebly, magister juris, and E.A. Seferina, certified public accountant, have been appointed bewindvoers ("administrators") of Banco Latino N.V. to conduct, jointly with debtor, the management of its business.

PLEASE TAKE FURTHER NOTICE that the Court of First Instance of the Netherlands Antilles has further ordered that the creditors of BANCO LATINO N.V. be summoned to appear at 8:00 in the morning of Friday, April 15, 1994, in the courtroom of said Court in the City of Willemstad in Curacao in order to be heard regarding the aforementioned petition before a decision is rendered on the final granting of the official moratorium applied for.

PLEASE TAKE FURTHER NOTICE that depositors and other persons who may have any claims against or otherwise be creditors of BANCO LATINO N.V. are requested to contact Messrs. J.M. Hebly and E.A. Seferina at BANCO LATINO N.V., P.O. Box No. 785, 61 de Ruyterkade, Willemstad, Curacao, Netherlands Antilles, with proof of such claim by Monday, April 4, 1994.

THE INSOLVENCY ACT 1986

MCDONALD'S SPORTSWEAR LIMITED
NOTICE is hereby given that a meeting of the creditors of McDonald's SportsWear Limited will be held at the Court of the County of London, 30 Abchurch Lane, London EC4N 3DF on Thursday 10 February 1994 at 10.30 a.m. for the purpose of considering the proposed voluntary arrangement of the said company.

METRO CONSTRUCTION UK LIMITED (IN ADMINISTRATION)

Notice is hereby given that a meeting of the above named company's creditors has been summoned under Section 23 of the Insolvency Act 1986. This meeting is to be held at The Suite One Hotel, New Bridge Street, Newcastle upon Tyne NE1 2SD at 10.30 am on 10 February 1994. If you wish to vote at the meeting a proxy form must be lodged at the offices of Cooper & Lybrand, Thames House, Highgate Place, Newcastle upon Tyne no later than 12 noon on the day preceding the meeting, together with a statement of claim.

Dated 25 January 1994
John F. Powell
Administrator

NEWS: INTERNATIONAL

Israeli health minister may resign

By Julian O'Zanne in Jerusalem

Israel's crisis-prone coalition government came under renewed threat last night as Mr Haim Ramon, the health minister, said he was on the verge of resigning in a row over health insurance and the power of the Histadrut, the trade union federation.

Mr Ramon, a popular spokesman for the reform wing of the Labour party, said he had little alternative but to resign after the Labour convention rejected his health insurance bill to separate health insurance contributions from the Histadrut and its healthcare system, the Kupat Holim Clalit.

Mr Ramon's bill also called for all insurance contributions to be collected by the National Insurance Institute rather than the Kupat Holim Clalit. The convention voted for a compromise, maintaining the link between the trade union and the Kupat Holim, leaving the Kupat Holim with 50 per cent of the insurance dues.

In a bitter speech to Labour delegates Mr Ramon yesterday said the public wanted to separate politics from health, and the compromise bill would encourage people to leave the Labour health institutions.

The Histadrut, he charged, wanted to use health insurance contributions for political purposes.

Mr Ramon's bill was clearly intended to divorce the Histadrut from health and is generally considered to have major support among the Israeli public, the Knesset (parliament) and perhaps even the

cabinet, which is expected to meet in special session tomorrow to discuss the crisis. Mr Ramon said if the cabinet endorsed the compromise bill he would definitely resign.

Mr Yitzhak Rabin, prime minister, who reluctantly backed the compromise, warned the move was unpopular, might not have a majority in the Knesset and could even bring down the government. He warned, however, that the vote of the Labour convention was binding on all 44 Labour Knesset members.

The first reading of Mr Ramon's bill won approval in the Knesset by 54:1, and Mr Ramon said last night that if the government allowed a free vote his bill would win 110 of the 120 Knesset members.

Mr Benjamin Netanyahu, leader of the opposition Likud, said yesterday his party would vote against the compromise and in favour of Mr Ramon's bill.

Inside the coalition government Mr Amnon Rubinstein, minister of education and member of the 12-strong Meretz party, said he would vote against the compromise bill in the cabinet, and said the majority of the Knesset would back him.

Political observers said Mr Ramon, widely tipped as a leading candidate to succeed Mr Rabin as prime minister, had effectively launched his campaign for the top political post by siding with the public and the reform wing of the Labour party against the Histadrut and the old guard leadership.

Pact drives coalition into LDP's arms

Historic agreement will weaken Hosokawa, reports William Dawkins

In Japanese politics, great victories are usually achieved only after the losing side has been mollified.

So it was on Saturday when Mr Morihiro Hosokawa, the prime minister, succeeded in getting parliamentary agreement to reform the electoral system and curb corruption, and in the process avert the collapse of his government.

To achieve a deal, Mr Hosokawa had to bow to the will of the opposition Liberal Democratic party and accept a less radical version of his own plans. The original scheme, voted down in the upper house a week earlier, would have bulldozed the old structure of money politics. Now the outlook is for gradual change; the foundations will shift and crack.

In particular, Mr Hosokawa had to tone down his proposed curbs on political funding and accept an electoral system more favourable to big parties.

Snatched at the last minute from a hopeless deadlock between the seven-party coalition and the LDP, the accord is nevertheless remarkable.

It retains a central point of the original proposal: to scrap the present system of multi-seat constituencies in which several candidates from the same party compete for votes, the main feature in Japan's costly, corrupt poll campaigns.

Failure to achieve that crucial change brought down two of Mr Hosokawa's prime ministerial predecessors, since the plans were first mooted five years ago following the Recruit shares-for-favours scandal. Helped by strong public support, Mr Hosokawa has succeeded where far more experienced operators have failed.

Yet the first consequence of the agreement on reform will be to weaken the fragile coalition and drive it into the arms

of the LDP. Mr Hosokawa recognised this over the weekend when he announced he would seek LDP co-operation to draw up an economic stimulus package.

Mr Hosokawa's compromise, as he freely admitted, has upset the left wing of the Social Democratic party, the coalition's largest and shakiest partner, which is committed to banning corporate donations.

Now that the government's main task of political reform is out of the way, the socialists will have even less in common with their coalition partners, beyond a taste for power. The socialists will also oppose moves to increase consumption tax and seek a permanent seat on the United Nations Security Council, both of which will probably be on the agenda in the coming year or so.

So it is no surprise that the 17 socialists who voted against the four bills threatened over the weekend to form the nucleus of an independent group. At the same time, some coalition members are doing their utmost to encourage LDP supporters of reform to join the government.

This means that Mr Hosokawa's vision of a two-party structure of the coalition and LDP looks less plausible. Some political observers think the trend is now shifting towards a large centre-right coalition - ironically resembling the LDP in its heyday - excluding anti-reformists on the left and right.

Others believe a fresh round of defections from the LDP and the Socialist party will lead to a two- or three-party system. Either way, they agree that Japan is set for a long period of coalition governments.

Another result of the agreement is that the change in political style symbolised by the end of 38 unbroken years of LDP rule in last July's elec-



Prime Minister Morihiro Hosokawa (right) and Foreign Minister Tsutomu Hata congratulate one another on their victory

MAIN POINTS OF AGREEMENT

Main points of Japan's political reform agreement (government's original proposal in brackets):

- Lower house seats: 500 (500)
- Single-seat constituencies: 300 (274)
- Proportional representation seats: 200 (226)
- Proportional representation base: 11 regions (nation)
- Minimum votes a party must get to qualify for a proportional representation seat: 2 per cent (3 per cent)
- Donations to individual politicians: allowed through one fund-raising organisation per politician, up to ¥500,000 per year per private sector corporate donor, to be phased out after five years (donations to be banned, except to parties)
- State subsidies for parties to make up for restrictions on corporate donations: ¥30.9bn overall, subject to a ceiling of 40 per cent of party's income in previous year (¥30.9bn, no individual party limits)
- Door-to-door campaigning: Now prohibited (permitted from 8am to 8pm)
- Independent body to draw up new electoral boundaries.

tion is far from complete. Last summer's political realignment brought a straight-talking prime minister, a refreshing contrast to his elliptical predecessors, plus a tendency for confrontation in parliament, instead of the tradition of forming consensus in smoke-filled rooms.

The change in style seemed reinforced over the past few weeks, with dramatic parliamentary battles on reform, first in favour in the lower house, and then against in the upper chamber. Television viewers have observed members of parliament emerging from angry committee meetings, red in the face and bafled. All this has made it look

as if Japan is "shifting from a predictable non-voting democracy towards an unpredictable voting democracy", in the words of a senior Japanese securities company executive.

Yet in the end the deal was thrashed out in the traditional manner, in a late-night private meeting with Mr Hosokawa and Mr Yoshi Kono, the LDP president. A week of bitter encounters between their subordinates in parliamentary committees had led to such complete deadlock that Mrs Takako Doi, the upper house speaker, had to call on the two leaders to negotiate personally.

Mr Hosokawa was keen to meet Mr Kono from the start, but the LDP leader was reluctant, unable to decide whether opponents or supporters of reform were winning an internal battle in his own party. The risk of defection by 70 LDP reformists finally persuaded Mr Kono that a deal was necessary.

When the two leaders' compromise was presented to the upper and lower houses on Saturday evening, members of parliament stood meekly, in the old style, to give their assent. Out of the 781 members of the upper and lower houses, a mere 42 - all socialists or LDP members - broke ranks.

Just how much difference the new rules will make to the practical conduct and outcome of general elections cannot be predicted, according to political observers. The general aim is to encourage politicians to seek votes on the quality of their policies, rather than their ability to fund local swimming pools or roads.

But traditions change slowly in Japan. The politicians campaigning under the new system, in a general election expected some time this year, will on the whole be the same people wearing new labels.

Iran must 'curb oil revenue hopes'

The Iranian parliament yesterday told the government to scale down its hopes for oil revenue to \$10.15bn in the year starting March 21, Reuters reports from Tehran.

The figure compares with a government estimate of \$11.84bn next year, actual oil sales of about \$14bn in the current year and a 1993-94 target of \$17bn.

The government has warned deputies that reducing the estimate may force it to cut oil industry development.

The deputies' calculation was based on sales 10 per cent below present levels. Their price estimate was not spelled out but some said in debate that \$12 a barrel was more likely than the government's hopes for \$14.

"We set the ceiling of oil revenues at \$10.15bn," Mr Kazem Mirvalad, secretary of the joint budget and planning, economy and commerce committees, said.

"Considering the situation of the world oil market, among various alternatives we chose the most realistic," he said.

"We reduced oil exports by 5 per cent of the present level. We allowed another 5 per cent reduction for the likelihood of resumption of Iraqi exports."

Mr Mirvalad was speaking on the second day of a debate on the budget for the Iranian year beginning March 21.

Deputies have also called for the government's estimate for next year's total state revenues to be cut to \$17.6bn from \$19.3bn, to take account of a fall in oil prices.

Mr Masoud Rowshan Zamani, an adviser to President Akbar Hashemi Rafsanjani, yesterday told parliament that deputies would jeopardise oil development if they cut projected revenues in the new budget, the official news agency IRNA reported.

The government had drafted the budget so that "most of the country's expenditures could be earned through tax revenues."

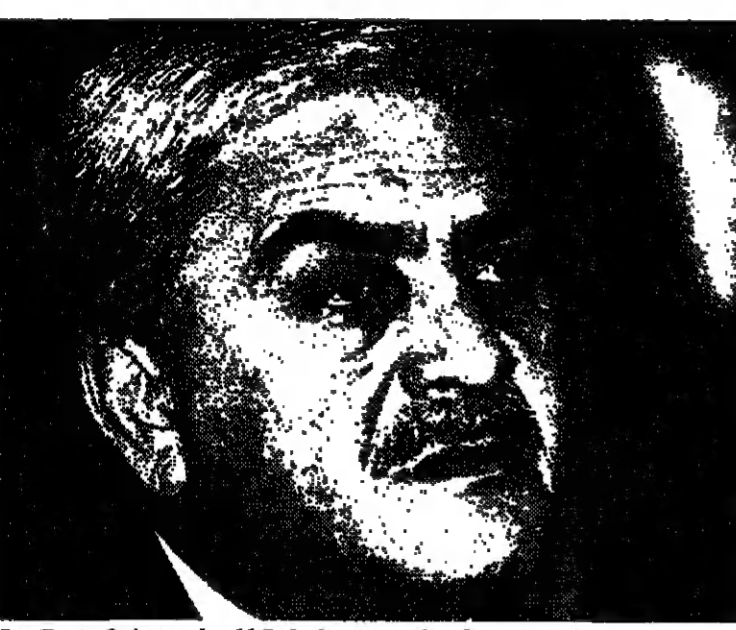
This year, parliament is debating the budget in two stages for the first time since the 1979 revolution. It will discuss revenues over three days. Two weeks later it will discuss expenditure.

Iran's Organisation of Petroleum Exporting Countries (Opec) production quota under the current accord which runs until March 31 is 3.6m barrels per day.

Iran earned \$11.4bn from crude oil exports and \$346m from exports of oil products in the past 10 months, Iranian television reported.

Iran's budget for the year ending March 1994 anticipated oil revenues of \$17bn. World oil prices have fallen about 30 per cent since the budget was drawn up.

Algeria's hardline defence chief appointed head of state



Gen Zeroual: Army should 'help forge a national consensus'

By Francis Ghiles

General Lamine Zeroual was yesterday appointed Algeria's new head of state by the High Security Council which has ruled the country since multi-party elections were suspended two years ago.

Born in 1941 in Batna, at the foot of the Aurès mountains from where the war of independence was launched on November 1 1954, Gen Zeroual was not trained in the French army as was the case of many of his peers. He attended military schools in the former Soviet Union and France and is one of the most respected senior officers in the Algerian army.

He has commanded a number of military regions, notably the Tindouf on the sensitive south-west frontier with Morocco, the military academy at Cherchell and the land forces. He resigned from the latter post after the bloody riots of October 1988.

A senior official of Algeria's central bank yesterday said that delays over repayment of medium- and long-term loans were of a "technical" nature, writes Francis Ghiles.

In no way did this delay, which the central bank was seeking to remedy, represent a change in the country's long-standing policy of servicing its foreign debt, he said.

"Such a change of policy would make little sense at a time when we are close to agreeing a package of economic reforms with the International Monetary Fund," Algeria's hard currency reserves, exclusive of gold, currently stand at an estimated \$1.5bn (£1bn).

damentalists, which has cost more than 3,500 lives since the elections were scrapped, has been left to Gen Lamari. Given his credentials as a hardliner, Gen Zeroual could be better placed to seek some accommodation with FIS leaders to bring an end to the violence.

Algeria's fifth president since independence in 1962 faces two challenges. The first is to end the growing civil strife, either by talking to the FIS or by "eradication" fundamentalists, as some of his peers would wish. The second is to reach agreement with the International

Monetary Fund on reforms and to loosen the noose of foreign debt repayments which, in 1994, will absorb 10 per cent of the country's oil and gas export revenue.

Iran's official radio yesterday said the appointment of Gen Zeroual as Algerian head of state would deepen the conflict with Islamic militants.

"This has placed the crisis-ridden country of Algeria on a path that is even more uncertain than before," Tehran Radio said soon after Gen Zeroual's appointment was announced.

"The ruling High State Council which cancelled parliamentary elections two years ago and took power illegally has now violated Algeria's constitution once again," said the radio.

Algeria last year broke off diplomatic relations with Iran, accusing it of supporting the Moslem fundamentalists. The radio said some military units had joined a newly formed Islamic Liberation Army in Algeria.

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INTERNATIONAL PRESS REVIEW

Spain

A general strike forces everyone to stand up and be counted. And so it was with the Spanish press as it reviewed last Thursday's call by the unions to bring the country to a standstill. The day after the strike, the press examined the same glass and judged whether it was half empty or half full.

A lot of people stood up and stayed away from work (many because they feared pickets) and a lot of other people went to work (many because they feared blacklists). El Mundo came out on the side of the unions and headlined "The majority backed the strike". El Pais did not and it put a laconic "The strike was not general" across its front page.

There were photographs to suit every mood. Spread across five of its six columns, El Pais used a shot of union militants standing on a railway track holding up a commuter train. El Mundo gave similar prominence to a picture of riot police in full gear protecting a shopping precinct.

La Vanguardia, the main Barcelona newspaper, highlighted a good example of Catalan consensus. Its front-page photograph had police, wearing everyday uniforms and not a baton or rubber bullet in sight, patiently persuading pickets to move along so that those who wanted to go to work, or wherever, could board the city's metro. La Vanguardia entitled its editorial comment: "A not very general strike".

The leader writers at El Pais and at La Vanguardia came out solidly in favour of what had triggered the strike in the first place: the government's decision to deregulate the

United States

Ever since it convicted Bill Clinton for not sending his daughter to a state school, New York Times editors have not shown a general predisposition to be kind to the president. Some ascribe this to the newspaper's long-standing liberal principles, others to a particular animus on the part of Mr Howell Raines, the Times's distinguished editorial page chief, who also happens to be a southerner.

It was therefore, perhaps, noteworthy that the newspaper's leader column took its time to comment on Mr Clinton's State of the Union message last week. And when it did, 48 hours after the event, it almost skipped over any comprehensive assessment, preferring instead to turn its critical guns on the omnibus crime bill already passed by the Senate. Just about all it could say in his favour was that "with a combination of smart legislation and public education, Mr Clinton can make it hard for the Republicans to reassess their claim on the crime-prevention franchise".

Another newspaper whose editorials, for different ideological reasons, do not like the president much, the right-wing Wall Street Journal, was horrified by his "dictat" on healthcare, threatening to veto any bill that does not include universal

insurance coverage ("If anything like the Clinton plan ever passes, don't get sick"). But, in its own typically quirky, semi-sarcastic way, it confessed to being "impressed" by the president's holistic approach.

"What the Clinton strategy does have going for it is Bill Clinton. As the State of the Union rhetoric made clear, this is a new kind of presidency. Mr Clinton does not merely appeal to the electorate, he tries to envelope it... we have, it seems, entered the age of the co-dependency president." The phenomenon clearly worries the Journal, if only because of the off-chance that it might work.

Other comment ranged all over the journalistic lot. The Washington Post commended a "strong speech," the San Francisco Examiner found it "oddly passionless" though the San Diego Union-Tribune thought it "highly emotional". The Baltimore Sun rated the president "more experienced, more confident," the St Louis Post-Dispatch "lacking in initiative", while the Los Angeles Times complimented "a doubly daring venture" that was "far more than rhetoric".

Australia

The comings and goings of top personalities have dominated the Australian papers all week. For Alan Griffiths, the nation's up-and-coming mobile industry minister, it was a question of going. The Melbourne Age revealed at the weekend that his partner in a sandwich shop venture was alleged to have party funds been used in the ailing business, and although denying any impropriety, Mr Griffiths resigned.

The irony of having a promising ministerial career unspiced by a sandwich shop in Melbourne's Moonee Ponds suburb - "best known to most Australians as the home of Dame Edna Everage" - did not escape the Sydney Morning Herald. "It looks bad when the minister in charge of industry development in Australia cannot profitably run a sandwich shop," it commented. Next day, under the headline "A legend in its own lunchtime" the Herald profiled the satirist, explaining why gleeful competitors reckoned chicken and avocado sandwiches at \$2.70 (£1.20) were a non-runner.

But it was the arrival of Prince Charles, and the subsequent Australia Day luncheon by David Kang, an anthropology student, which commanded most attention. The Australian press, not overfussed by the royal visit at the outset, cleared its front pages on Wednesday - although The Australian still gave more prominence to the prince's conciliatory remarks on the republic issue than it did to the Kang incident.

But much-applauded royal sang-froid didn't seem to win votes. By the weekend The Sun-Herald was citing a mid-week poll of 600 people in Sydney and Melbourne which showed that public support to retain the monarchy had dropped to around 41 per cent, from a previous high of 52 per cent. "Republic Rockets", it declared, adding - in letters one-fifth the size - "but our boosters Prince Charles".

When Congress failed to pass his proposed corporate tax increase, gave the media a chance to mull over the outlook for October's presidential elections.

Mr Cardoso's troubles stemmed from Congress' inability to muster a quorum. He criticised the congressional habit of taking long weekends away from the capital Brasilia. But the press wondered if his enemies had used the episode to damage Mr Cardoso's election chances.

The Gazeta Mercantil, the main business newspaper, talked of an accord between the centre-right parties to delay Mr Cardoso's economic restructuring plan, seen as the first step to his candidature.

The paper said the plan still looked likely to go ahead, but the minister was running out of time.

The election front-runner, Mr Luis Inacio Lula da Silva, of the left-wing Workers' party, went campaigning in Amazonia and was pictured planting trees and wearing an Indian headdress. The weekly news magazine Veja concentrated on infighting within the Workers' party and said industry was confused over who was in charge.

Mr da Silva's near 20-point lead in the polls has started to worry politicians of every hue. It even prompted the right-wing mayor of São Paulo, Mr Paulo Maluf, to say he might stand down from the race if it helped someone else beat Mr da Silva. But perhaps Mr Maluf, not renowned for his modesty, is losing his touch. On Saturday he crashed his Porsche 911 in the rain. Luckily he was unharmed.

Contributions from Tom Burns in Madrid, Jack Martin in Washington, Nikki Tait in Sydney and Angus Foster in São Paulo.

GOVERNMENT OF THE STATE OF CEARA

Central Committee for Bids - Bidding Notice

International Open Bid # 002/94

The Central Committee for Bids, on behalf of the Secretary for the Urban and Environmental Development of the State of Ceará, invites all the Brazilian construction companies and the foreign national companies in countries which are members of the International Development Bank (IDB) to participate in the International Open Bid # 002/94, for the purpose of executing works and services for the BASIC SUBSTRUCTURE PROGRAM - SEWER SYSTEM OF THE CITY OF FORTALEZA. The related works and services are the following:

LOT	LIST OF THE WORKS	EXECUTION TIME (SUCCESSIVE DAYS)
01	02 Water Bidding Station with flow of 410-1620 l/s	340 days
02	04 Water Bidding Station with flow of 6-340 l/s	340 days
03	SUB BASN K1-25.2 km Sewer System plus 3,171 houses connections	480 days
04	SUB BASN K2-94.8 km Sewer System plus 9,773 houses connections	480 days
05	SUB BASN K3-49.3 km Sewer System plus 7,227 houses connections	540 days
06	SUB BASN K4-40.7 km Sewer System plus 9,544 houses connections	570 days
07	SUB BASN K5-1.2, 1.4, 1.7-3.0 km microdrainage, 2.0 km microdrainage	570 days
08	SUB BASN K6-40.7 km Sewer System plus 7,217 houses connections/SUB BASN K1-6-2.8 km microdrainage	570 days
09	SUB BASN K7-45.6 km Sewer System plus 10,755 houses connections/SUB BASN K1-5, K2, K2.1-8.0 km microdrainage	570 days
10	SUB BASN K8-301, 301.1-32.4 km Sewer System plus 7,889 connections	570 days
11	SUB BASN K9-303-35.7 km Sewer System plus 5,110 connections	570 days
12	SUB BASN C1-5, C3-6 km Sewer System plus 1,674 connections	570 days
13	SUB BASN A2-42.3, A2.4, C3-3-8.8 km microdrainage/120 km microdrainage	570 days
14	SUB BASN A3-6.9 km microdrainage/12.9 km microdrainage	570 days
15	SUB BASN A4-13 km microdrainage/6.8 km microdrainage	570 days
16	SUB BASN B07-47.6 km Sewer System plus 3,400 connections	570 days
17	SUB BASN C1-4, C1-6 km Sewer System plus 12,454 connections	570 days
18	SUB BASN C1-1, C1-2-1.5 km microdrainage/13.3 km microdrainage	570 days
19	SUB BASN B08-48.6 km microdrainage plus 1,075 connections	540 days
20	SUB BASN C4, C1-6 km Sewer System plus 7.8 km microdrainage	540 days
21	SUB BASN B09-53-47.8 km Sewer System plus 10,147 connections	540 days
22	SUB BASN C12, C13, C13.1, C13.2-2.4 km microdrainage	540 days
23	Installation of 30,000 water meters	300 days
24	Installation of 20,000 water meters	300 days
25	Installation of 30,000 water meters	300 days

All the above works will be funded by the Basic Substructure Program-Sewer System of the City of Fortaleza through partial financing from the International Development Bank (IDB) under the terms of an agreement between that Bank and the Government of the State of Ceará and the contracting of the works shall comply with the provisions of the financing agreements no. 892/OC-88 and 892/2F-88 signed by the parties on December 9, 1992. The capability documentation and the bidding must be delivered on May 5, 1993 at the São Paulo 224, Alameda, Fortaleza-Ceará, in two separate sealed envelopes which must contain: Envelope "A": Capability documentation; Envelope "B": Bidding.

The procurement shall be furnished by the Secretary for Urban and Environmental Development, at the Centro Administrativo Virgílio Taveira - Combar - Fortaleza - Ceará, Brazil, under the payment of the fee in the amount of CR\$ 40,000.00 (forty thousand cruzeiros reais), from January 31, 1994 to April 23, 1994.

Fortaleza-CE, January 31, 1994
The Committee

SECRETARY FOR THE URBAN AND ENVIRONMENTAL DEVELOPMENT OF THE STATE OF CEARA - SDU

مكتبة

Manufacturers fear rushed decision

EU in disarray over China trade row

By Andrew Hill in Brussels

Plans to end a debilitating row within the European Union over trade with China are in disarray, with only seven days to go until ministers are supposed to settle the issue.

EU diplomats will meet in Brussels twice this week to try to decide whether to recommend abolition or harmonisation of national quotas on certain Chinese imports to the EU, including bicycles, kitchenware, training shoes and toys.

US and European manufacturers with plants in China are afraid that after more than a year of indecision, foreign and trade ministers may now rush into an agreement on a series of EU-wide quotas at their meeting next Monday.

Makers of expensive training shoes, such as Reebok and Nike, are particularly worried about proposals for restrictive

quotas on their Chinese-made products. There is also concern about the proposed limit on toys, which the European manufacturers say is unnecessary, and the planned quota for Chinese bicycles, which are already subject to anti-dumping duties.

At the same time as approving the Gatt world trade accord on December 15, EU foreign ministers agreed to strengthen the Union's trade defence mechanisms, making it easier to act against dumping and subsidised trade.

In principle, that agreement was supposed to lead to an accord at next week's meeting on the abolition or harmonisation of thousands of national quotas on imports from "state trading countries", the most important of which is China.

Most of those national quotas will now disappear, but member states are locked into a familiar row between north-

ern "liberals" - Germany, the UK, Denmark and the Netherlands - and a southern camp, led by France, about which of the few remaining quotas to harmonise at EU level. They are also unable to decide how strict the quotas should be. Germany is particularly concerned about the situation, because it abolished all its remaining national quotas at the beginning of last year.

"The December 15 compromise was the kind of political deal that you make by providing some nice wording, but with all due respect to the Belgian presidency it wasn't a compromise in the sense of bringing minds together," said one national official last week.

National quotas can no longer be enforced, because last year's abolition of controls on goods at internal EU borders makes it impossible to check on products leaving or entering member states.

Beijing extends freeze on new capital projects

By Tony Walker in Beijing

China has extended its freeze on new capital spending projects until the end of this year as part of efforts to combat inflation and ensure key existing infrastructure projects are adequately funded.

The state council, China's cabinet, announced at the weekend that "no new fixed-asset investment projects" would be approved, with the aim of keeping a "tight rein on the country's fixed-asset investments in 1994".

The decision effectively extends a ban on borrowing

for new projects instituted last July under a 16-point programme designed to stabilise the rapid growth of the economy. The leadership has promised to lower growth to 9 per cent this year compared with 12.8 per cent last year, but it faces a delicate task.

A western economist in Beijing said the state council's decision did not amount to an outright ban on new projects. Those that were self-funded or where funds were secured abroad would be allowed to proceed.

The council statement made it clear that a target of the

investment freeze was property development, including industrial zones. Last year's explosion of speculative investment in both was blamed for China's overheating problems. Fixed asset investment grew by 47 per cent in 1993 compared with 1992. This year's target is for 14 per cent growth to Yn131bn (£10bn) compared with last year's figure of Yn115bn.

The state council is also calling for closer supervision of foreign investment to "encourage investment in domestic infrastructure and basic industry".

Wave of executions in anti-crime campaign

By Tony Walker

Dozens of alleged criminals have been put to death across China in what appears to be an attempt by the judicial authorities to clear their books before the Lunar New Year holiday, traditionally an occasion for family reunions.

Reports over the past few days from Beijing, Guangzhou, Shanghai and elsewhere indicate a widespread campaign is under way to remind the populace of the severe penalties for a wide range of crimes.

According to a recent report by an Australian human rights delegation, at least 55 offences carry the death penalty. The delegation expressed concern that categories had recently been extended to include "eco-

omic crimes" such as embezzlement and the production of counterfeit goods.

International human rights groups regularly question China's predilection for capital punishment as a means of dealing with crime.

A report published last year by a mission to China led by Lord Geoffrey Howe, Britain's former foreign secretary, expressed concern about "reports of execution within public view, of instances of convicted persons being paraded in public prior to execution, and of the use of organs from executed for spare part surgery".

The Howe mission urged the Chinese to reduce the number of capital offences, to apply the death penalty more sparingly

and to introduce a code of conduct for execution that would lessen the humiliation suffered by the condemned.

Hundreds of officials, most of them relatively junior, have been executed since the anti-corruption campaign began last July. No official statistics are available for the number of executions in China last year, but the figure almost certainly exceeds that in 1992.

According to Amnesty International the number of executions annually has risen sharply since 1989, the year of the Tiananmen Square massacre. In 1989, 370 death sentences were imposed of which about two-thirds were carried out. By 1992 the figure had risen to 1,881 imposed and at least 1,079 carried out.

NEWS IN BRIEF

N Korea attacks US missile plans

North Korea yesterday called US plans to bolster South Korea's missile defences "warlike", and said they should be scrapped if Washington hoped to reach agreement on inspection of the North's nuclear programme. AP reports from Tokyo.

The US and the South Korean authorities will have to take full responsibility for the consequences to be entailed by their military steps," the official Workers (Communist) party newspaper said. It did not elaborate.

Last week the US disclosed plans to send Patriot missile batteries to South Korea to boost defences against a possible North Korean rocket attack.

Gains for Taiwan opposition

Taiwan's governing Nationalist party has won local government elections but the main opposition Democratic Progressive party (DPP) and independent candidates made strong gains, Reuter reports from Taipei.

The Nationalists won 214 of 309 village and town mayoral posts at stake in Saturday's polls, which were marred by allegations of vote-buying and campaign violence. They won 260 mayoral posts in the last elections, in 1990. The DPP more than tripled its number of mayoral seats to 21 from six. The polls will not alter the balance of power in central government.

Malaysian dam project defended

Malaysia has awarded a \$5.6bn (£2.73bn) dam project in Sarawak state to a company headed by Mr Ting Pek Khing, a local tycoon, despite environmentalists' warnings of ecological disaster, Reuter reports from Kuala Lumpur.

Prime Minister Mahathir Mohamad, launching the project, defended the government's decision and said it was vital for the country's energy needs. The project would generate 2,400MW of electricity a year, mostly for peninsular Malaysia, Mr Ting said.

Delhi drops airline restraints

India has cleared the way for its state-owned domestic and international airlines to become publicly held companies, Reuter reports from New Delhi.

According to newspaper reports, the government has issued a special ordinance scrapping a 1953 parliamentary act that nationalised air services in the country and prohibited private airlines.

Seoul fails to cool share deals

By John Burton in Seoul

The Seoul bourse has surged to a four-year high, in spite of government efforts to cool the market. The general share index rose 2 per cent to 946 on Saturday, a day after the government announced new share issues would be increased to soak up liquidity and that financial institutions would be encouraged to sell stock.

The government wants to curb stock speculation, fearing it could divert funds from the industrial investment needed to boost economic growth this year.

The finance ministry said it would raise the amount of permitted new share issues this year by Won3,200bn to Won10,200bn (£8.4bn). This would include an initial share issue by Korea Exchange Bank and a new rights offering by the Commercial Bank of Korea. It also urged domestic institutional investors to sell Won3,000bn worth of shares.

Funds are flooding into the exchange because of low interest rates depressing the bond market and recent government efforts to stamp out speculation in the property and unofficial loan markets. Korean companies are also expected to report higher earnings.

The 7.8 per cent rise in the share index last week also reflected the inclusion on the Seoul exchange of Samsung Heavy Industries, a big ship-builder.

SIEMENS

Information for Siemens shareholders

Weak domestic business – growth in the international market

Different regional economic development brought Siemens uneven growth also during the first three months of the fiscal year 1994. Whereas domestic business remained weak, the company achieved high growth rates on the international market. This was due primarily to orders for large-scale projects and the first-time consolidation of Osram Sylvania, Inc., Danvers (U.S.A.). Overall, new orders rose by 15%, sales by 2%. Interim net income amounted to DM415 million.

Orders

During the reporting period, Siemens booked new orders totaling DM21.4 (1993: DM18.6) billion. Demand continued to decline in the domestic market, where orders decreased by 6% to DM8.2 (1993: DM8.7) billion. International orders of DM13.2 (1993: DM9.9) billion exceeded last year's weak first quarter by 33%. International orders now account for 62% (1993: 53%) of the company's total. Orders for large-scale projects, particularly from Southeast Asia, and the first-time consolidation of Osram Sylvania were major factors for this development. Excluding these effects, new international orders increased by 8%, bolstered by improving economic conditions in North and South America as well as ongoing strong economic growth in Southeast Asia. With the exception of the United Kingdom, new orders from European Union member countries remained weak.

Sales

Worldwide sales grew slightly by 2% to DM17.3 (1993: DM16.9) billion. International sales, with a 15% increase to DM10.1 (1993: DM8.8) billion, proved more robust than domestic business, for which sales decreased by 11% to DM7.2 (1993: DM8.1) billion. Without the Osram Sylvania consolidation, there would have been an overall drop in global sales of 1%. Siemens' operating units also reported mixed results. Weak domestic demand contributed to a decrease in business at the Automation, Public Communication Networks, and Power Transmission and Distribution Groups, as well as at Siemens Nixdorf Informations-systeme AG (SNI). For Industrial and Building Systems, Private Communication Systems and Medical Engineering, in contrast, stronger international business compensated for the domestic downturn; sales, however, have not yet been affected by this development. Driving business volume growth, both in terms of new orders and sales, were the Power Generation (KWU) and Semiconductor Groups.

Employees

As of December 31, 1993, Siemens employed 400,000 people worldwide, or 9,000 more than at the end of the previous quarter. The increase outside Germany of 12,000 to 165,000 was due to the first-time consolidation of Osram Sylvania. Downsizing of the domestic work force by 3,000 to 235,000 affected virtually all operating groups.

Capital spending and net income

Capital spending in the first quarter rose to DM1.0 (1993: DM0.9) billion as a result of increased acquisitions. These included, above all, raising the company's stake in Krupp Verkehrstechnik GmbH, Kiel, from 25% to 100%. Net income increased by 2% to DM415 (1993: DM406) million. Financial income continued to be good in the first quarter of the current fiscal year due to favorable capital market conditions.

DM billion	1/10/92 to 31/12/92	1/10/93 to 31/12/93	Change
Orders	18.6	21.4	+ 15%
German business	8.7	8.2	- 6%
International business	9.9	13.2	+ 33%

DM billion	1/10/92 to 31/12/92	1/10/93 to 31/12/93	Change
Sales	16.9	17.3	+ 2%
German business	8.1	7.2	- 11%
International business	8.8	10.1	+ 15%

'000s	30/9/93	31/12/93	Change
Employees	391	400	+ 2%
German operations	238	235	- 1%
International operations	153	165	+ 8%

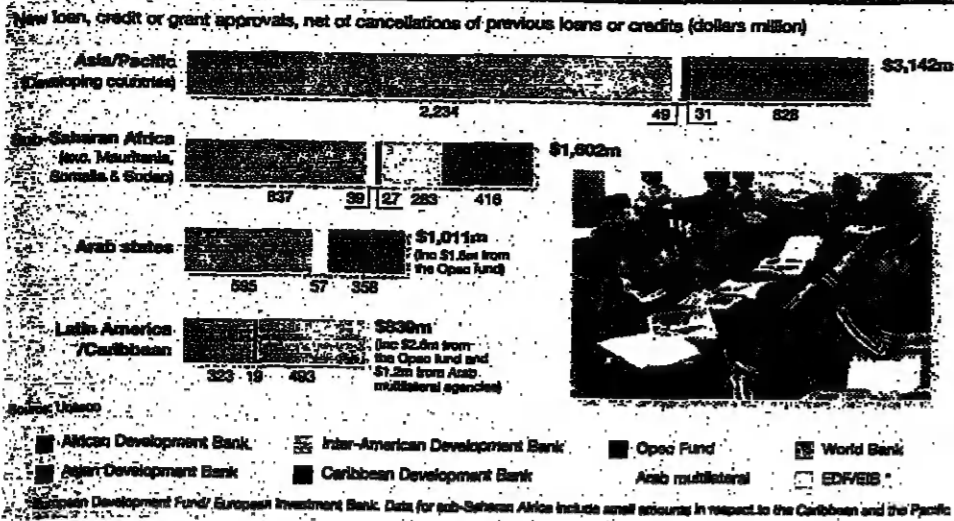
	1/10/92 to 31/12/92	1/10/93 to 31/12/93	Change
Capital expenditure and investments DM billion	0.9	1.0	+ 15%
Net income after taxes DM million	406	415	+ 2%

Siemens AG, Berlin and Munich

THE WORLD'S YOUNG PEOPLE

Monday January 31 1994

Distribution of aid to education by multilateral banks and funds, 1986-1990



Global pressures are getting worse

Emma Tucker examines the prospects for young people in a world where inequality of opportunity is all too common

It is one of the greatest achievements of medical science that of the millions of babies born this year, more than ever before will live to the age of five. Beyond that, the advances of modern society become harder to detect.

Whether coping with childhood in a Bombay slum or a Chicago ghetto, the world's youth faces growing pressures. Unstable communities, inadequate education opportunities, a lack of adult role models and slim prospects for employment are hallmarks not just of the developing world, but of the industrialised world too. The worries are likely to get worse.

According to United Nations reports, more than 6bn people will inhabit the earth by the year 2000. About half of them will be under the age of 20.

The implications are staggering. The aspirations of young people, from rich and poor countries alike, will put untold

strain on global resources. Yet the world's policy makers and business leaders have not addressed the problem of how they will cope with, let alone fulfil, these hopes.

Already the pressures show. In low-income countries, too many children still lack basic education and health care. The United Nations Children's Fund (Unicef) has calculated that while more than 90 per cent of the developing world's children start school, half, in many countries, drop out in the first few years. As a result there are now an estimated 100m children aged 6-11 not in school. Two-thirds are girls.

Mexico's economic reforms are applauded, but 1m new jobs will have to be created every year to match the rate at which young people are entering the work force, according to the University of California Centre for US Mexican Studies.

Child labour, and the serious

exploitation of working children, remain widespread as families struggle for survival under the pressures of grinding poverty and growing consumerism. Rural to urban migration adds to the social problems, placing families under enormous stress as they put up with overcrowding, unemployment and poor living conditions.

And growing poverty in urban areas has contributed to a dramatic increase in the number of street children - as many as 100m, according to some estimates.

The difficulties facing youth are not confined to the poorest countries. Even societies with the highest levels of income are failing to provide for the needs of all their young people.

Low academic achievement, school drop-outs, alcohol and drug abuse, teenage pregnancy, vandalism and violence are on the increase in the



industrialised world. According to Unicef, the US - with 20 per cent of its children living below the national poverty line - has more than double the child poverty rate of any other industrialised country.

In the UK, according to a study from Fordham University's Institute for Innovation in Social Policy, children are worse off today than they were in 1970.

Rising divorce rates and the increase in single parent families, together with the failure of governments to alleviate poverty through social services, have also resulted in children increasingly being deprived of parental time and attention.

The consequences of growing stresses in family life are beginning to show up in some disturbing statistics. Many nations face a steady rise in teenage violence and suicide, drug abuse and - harder to quantify - disaffection, demoralisation and disillusionment.

"We have tended to avoid this issue of values, feeling that it is a sensitive area, best left to parents and schools," says Mr James Himes, director of the International Child Development Centre, for Unicef. "But schools do not do a good job of teaching values, and families, particularly low income families, have such trouble holding together just to survive that they do not have

time to worry about the ethical dimensions of child raising."

The economic and business implications of neglecting these problems speak for themselves.

Few governments have addressed the problem of how their economies can create enough new jobs to absorb the rapid growth in the number of young job seekers. Furthermore, there is an enormous price - social and economic - associated with the increasing number of people born in poverty - and likely to remain in poverty with little education and few job related skills.

For business, this promises to be a long term problem. Employers rely on youth to

provide a good, dependable workforce. They also represent companies' future consumers.

"It is enlightened self-interest for us to invest in young people," says Mr Joe Stewart, the senior vice president of Kellogg. "We are investing in them as future human beings, but also as future strong consumers. How better to operate than with a strong market around you?"

The long-term benefits of investment in youth for governments and the private sector are clear. For example, the East Asian countries that have enjoyed such breathtaking growth over the last decade invested heavily in human as well as physical capital.

A report from the World Bank shows that in eight east Asian "superstar" countries, a bigger share of education spending was allocated to basic primary and secondary education - vital for a skilled workforce - than to universities.

For example, in the mid-1980s, Indonesia, South Korea and Thailand spent more than 80 per cent of their respective education budgets on basic education.

Compare this against the primary and secondary education spending figures in Argentina and Venezuela, with respective allocations of less than 50 per cent.

Continued on page III

Can you provide the energy the world needs today and preserve the earth for the generations to come?

Mankind needs energy to fuel the processes that create light, heat, shelter, transportation and goods - the basis of our modern civilization. Yet as the world's population grows, so does the demand for improved quality of life. Energy

consumption increases daily, and with it the threat to clean air, pure water and fertile soil. These natural resources are not inexhaustible.

It is not too late. Man's creative ingenuity can solve the problems he has caused. ABB provides some of the answers. As a global leader in electrical engineering we have the technical expertise to generate, transmit and distribute energy with great efficiency. Our leading environmental control technology reduces environmental strain. Our industrial systems improve productivity, reducing the amount of raw materials and energy required. And our advanced train and mass transit systems help to conserve energy, too.

ABB is committed to the principle of sustainable development. The balance between mankind's needs and the conservation of the natural resources of our planet depends on clean and efficient technology in the fields of electrical engineering, industry and transportation. That's where we come in.

Yes, you can.

ABB

ABB Asea Brown Boveri Ltd., Reader Services Center, P.O. Box 822, CH-8021 Zurich

THE WORLD'S YOUNG PEOPLE II

Bronwen Maddox looks at world population projections

Reality remains taboo

According to United Nations forecasts, the population of the world is likely to double - to more than 10bn people - by the middle of the next century.

This will be one of the biggest forces shaping living standards of future generations. Although growth will take place almost entirely in developing countries, few countries will be able to insulate themselves from the effects.

However, population growth was a taboo topic at the Rio Earth Summit in 1992, although it is the source of increasing pressure on natural resources and the environment in many regions. Governments felt that the sensitivity of the issue was so great - provoking debates about differing cultural and religious values - that it would frustrate attempts to reach agreement on other fronts.

Even at the time of the summit the omission appeared a serious weakness, as Prince Charles pointed out. In retrospect, that is clearly true. Although countries put their names to Rio's two treaties on climate change and bio-diversity (the variety of the world's

wildlife), many have found difficulty in drawing up realistic plans for curbing environmental damage.

The omission has also allowed the notion of "sustainable development" to remain confused. That principle, which governments attending Rio pledged to observe, does not define whether resources are to be preserved at a certain level for each person or simply for each country. Countries with rapidly growing populations will find it almost impossible to preserve resources - however defined - on a per capita basis.

But although the projected increase in the world's population is formidably large, it is much less than many people feared two decades ago.

Prominent among 1970s doomsters, the Club of Rome (an international group of industrialists, scientists, econo-

mists and statesmen) predicted that food, energy and raw materials would run out. Since then, food production has increased while population has slowed. The drop in the birth rate in many countries now looks like one of the development successes of the past two

decades. Many Asian and Latin American countries have had particular success in bringing down the rate of population growth.

India, for example, now has a fertility rate - the average number of children per woman - of about 2.5, down from 5.5 in 1960. In the Gulf states, fertility rates have maintained rates of more than three children per woman during a period of fast

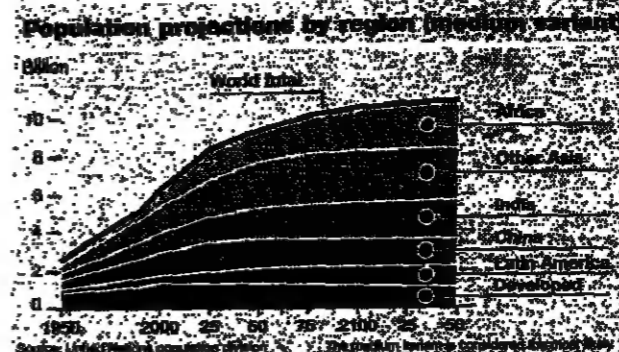
economic growth. Instead, demographers are having to put together a more complex picture, in which access to contraception, the level of female education and the availability of jobs for women all play a part.

There has also been international concern about the measures sometimes employed to restrain birth rates, particularly in China, which has strictly applied limits on family size. The scale of China's problem is undeniable: China now has nearly a quarter of the world's population on about 7 per cent of the world's arable land.

According to government figures this year, the fertility rate has fallen to about 1.9 from 2.25 children per woman in 1960. That is nearly as low as western European and US rates, and less than half that of India. But the measures used

by the Chinese government - including limiting urban families to one child - have provoked criticism that the Chinese government is infringing human rights.

Despite those qualifications, the falls in many countries' birth rates have outstripped expectations. But demographers and environmentalists warn against complacency, even if the doom-mongers have not been proved right. They point out that even at current rates, population growth will still put severe pressures on natural resources and on the quality of the environment.



They also argue that the ageing of the populations in industrialised countries and the steady fall in the average age of the population in developing countries will bring further pressures. Children under 15 years old currently outnumber the elderly by one third in Europe and North America. But pensioners will soon outnumber children in Europe and North America for the first time, the United Nations Population Fund (UNFPA) has said.

Mr David Coleman, a demographer at Oxford University, says that environmental degradation, pressure on resources

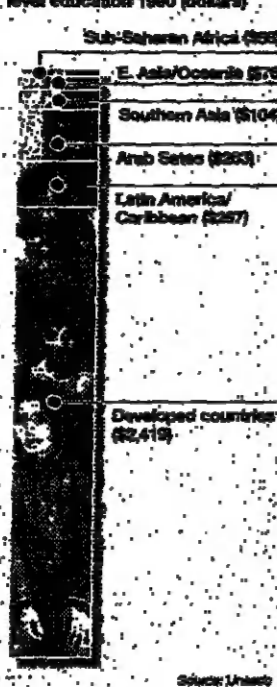
and the search for jobs will cause industrialised countries to be confronted with an unprecedented influx of immigrants from poorer countries. Mrs Nadia Sadik, director of UNFPA, has also warned of these pressures - even taking account only those who have already been born. More than 2m immigrants are believed to have entered both Europe and North America over the past two years alone. So far, Poland, Hungary and Czechoslovakia have taken the brunt of Russians, gypsies and Romanians from the east, but political chaos in Russia could intensify westward migration.

Governments and international agencies for aid, development and the environment may still be coy about addressing issues of curbing population growth. But they will increasingly find the subject unavoidable. Worries about consumption of resources and degradation of the environment are well-established. But migration may be the factor which finally makes countries worldwide - industrialised as well as developing - face these questions.

Education shows only patchy improvement, writes John Authers

'Knowledge gap' is still widening

Public recurrent expenditure per pupil in pre-primary, first and second level education 1990 (dollars)



The world's young people, in the 1990s, live in the shadow of a "knowledge gap".

While it continues to widen, the chances of the young generation in the developing world being able to help their nations achieve lasting economic progress remain slight.

The second report on world education, published at the end of last year by Unesco (the United Nations Educational, Scientific and Cultural Organisation), provides stark evidence of the gap in educational provision between richer and poorer nations.

While many nations are now making real progress, guided by the improvements made by the Pacific Rim countries on the back of strong national training systems, other areas - particularly sub-Saharan Africa - are being left further behind.

The nine most populous developing nations - China, India, Indonesia, Nigeria, Brazil, Pakistan, Bangladesh, Mexico and Egypt - last December demonstrated that they thought increased educational provision was the key to economic progress, and stemming population growth, by pledging to provide their children with universal education "by the year 2000 or at the earliest possible moment".

Within the poorer nations, research reveals another "gap". In the developing world, girls are still thought unlikely to contribute economically, and receive far less education than boys. In many cases their families do not think it is worth it, thwarting any attempt by the state to improve girls' chances in life. Unesco's figures on the school life expectancy - how

long a child can expect to stay in formal education - in different countries make depressing reading. Africa south of the Sahara and southern Asia suffer the greatest problems.

In the Saharan nation of Niger, girls can expect to stay 1.4 years in school, while boys do scarcely better with 2.8. In Guinea, girls can only expect 1.6 years in school, while in populous Bangladesh, boys receive 5.5 years at school, compared with 4.3 for girls.

In both Niger and Guinea, textbooks are available for less than 30 per cent of primary school children, and the school year is short. Comparative figures show that Canadian girls can expect 16.5 years of formal education (a year more than their brothers). Both boys and girls devote more than 15 years to formal study in the US.

Estimated school life expectancies, 1990

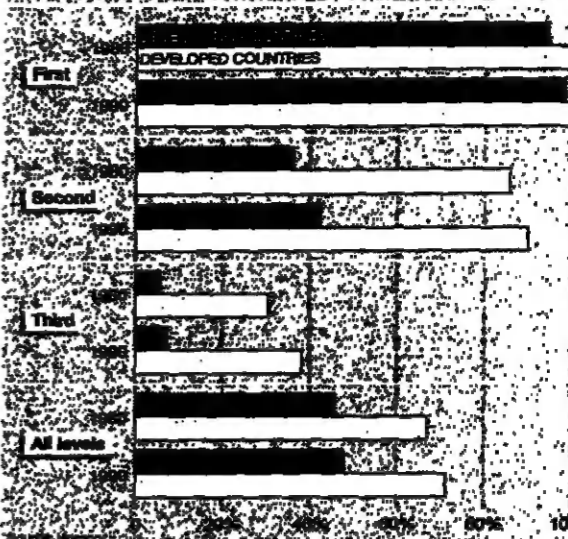


However, some parts of the developing world now provide as much education as member countries of the Organisation for Economic Co-operation and Development.

For example, South Korea educates its children for an average of 12.5 years - more than Australia, level with Japan and Sweden, and only slightly behind the UK. Several Latin American nations now have an educational life expectancy of more than a decade.

Unsurprisingly, low educational provision has led to illiteracy in later life, and according to Unesco, most of the world's illiterate population is in primary schools, rather than the official language of Amharic.

Gender enrolment ratios by level of education



The reform should improve the standards of general education, because children will be instructed in the language they use at home, but it may be that overall literacy statistics will prove harder to compile.

While problems with basic literacy and other skills may prevent emerging generations from providing the "engine room" of increased economic output which developing countries need from them, disparities in higher education may in the short term be even more damaging.

Lack of a developed higher education system critically damages competitiveness, as it becomes impossible for a nation's industrial and research and development communities to keep abreast with developments elsewhere. Most Latin American and Asian countries now have university enrolment levels which conform broadly with univer-

sity entries in the OECD nations - Unesco reports show that sub-Saharan Africa is now alone in suffering from a "higher education gap" by comparison with the rest of the world.

Foreign exchange programmes account for a smaller proportion of students than they did 10 years ago, and most aid for developing countries now comes through direct aid from banks and funds. Nearly half of this goes to the Pacific Rim countries, whose education systems have already been extensively reformed.

As this aid is in the form of loans which will have to be repaid by the countries which receive it, and much money has been spent on physical infrastructure and buildings, which create their own recurrent costs, it seems, still, that nobody has a clear grasp of how the "gap" in higher education can be closed.

Money spent on children's health is not going where it is most needed

The picture still looks grim

The world spends \$2,000bn on health care a year; the rate at which health has improved since 1950 is unmatched in history. So says the World Bank's recent report, *Investing in Health*, published last summer.

But the Bank also points out that the impressive sums are deceptive. For the money is "either spent on the wrong things, or wasted." There should be more "barefoot medicine" and a wider campaign against poverty: for example, better education for girls and young women, which would result in better child health and smaller families.

Nevertheless, the report is at pains to say that big spending on health - and it argues that more is needed - does not simply result in more babies and all the dire consequences of over-population.

It results in lower child mortality rates and fertility rates (after a lag of a couple of decades), as population growth rates in Asia, Latin America and Africa have shown. Furthermore, it saves money. The potential savings add up to billions of dollars, because premature death or disability lost the world (on the Bank's estimate) 1.4bn years of healthy (in many cases, productive) life in 1990 alone.

But the money is still not going where it is most needed. According to Unicef's annual report on the state of the world's children - a sometimes harrowing document - 8m children still die every year from five preventable diseases: measles, whooping cough, diarrhoea, tetanus and pneumonia. Even more grim: 1m children have been killed, 4m seriously injured, and 6m have become refugees or orphaned as a result of wars in the past decade.

A child born in 1991 in Romania or even in Turkey, on

the borders of the European Union, is five times more likely to die in the first year of life than a child born in Switzerland, Iceland, Sweden, France or the Netherlands. In Turkey there are more than 56 deaths during the first year of life per 1,000 live births, compared with 10 in Sweden. Mortality rates in the third world are considerably worse.

In the Irish Republic only 10 children per 1,000 live births die before the age of five - Ireland comes near the top of the Unicef tables. In South

America the average equivalent figure is 54, in East Asia 57, in South Asia 131 and in sub-Saharan Africa 183. In some African countries almost one third of all children die before they are five.

Looking at maternal mortality, the European average is 13 deaths in childbirth per 100,000 births. In South America the comparable figure is 210, in South Asia it is 490, and in sub-Saharan Africa almost 600 mothers die in childbirth per 100,000 live births.

But even wholesale redistribution of all the money spent on health could never achieve an equal chance of survival. Mortality rates arise from several different factors, such as what social and economic group a child is born into, genetic

shots. The lowest rate of vaccine coverage was in sub-Saharan Africa.

Lurking behind the call to redirect (and slightly increase) the \$200bn spent world-wide are wide disparities in health care resources, and the resulting mortality and illness rates. The Bank says that if more money was spent on preventing or curing the most common killers, such as measles, whooping cough, complications of pregnancy and water-borne diseases, in parts of the world, millions of lives could be saved relatively cheaply.

In the developing world, where the amount spent per head on health care is a tiny fraction of that spent in the developed world, a little more money would go a long way.

By contrast, the Americans spend 14 per cent of the US gross domestic product on health care, compared with 6.1 per cent in the UK, and 8 per cent in Germany, France and Sweden.

Improvements in the developing world's health and child mortality rates will to a large extent depend on the commitments undertaken by countries of the developed world, and improving the health of the world's children will take a greater international effort.

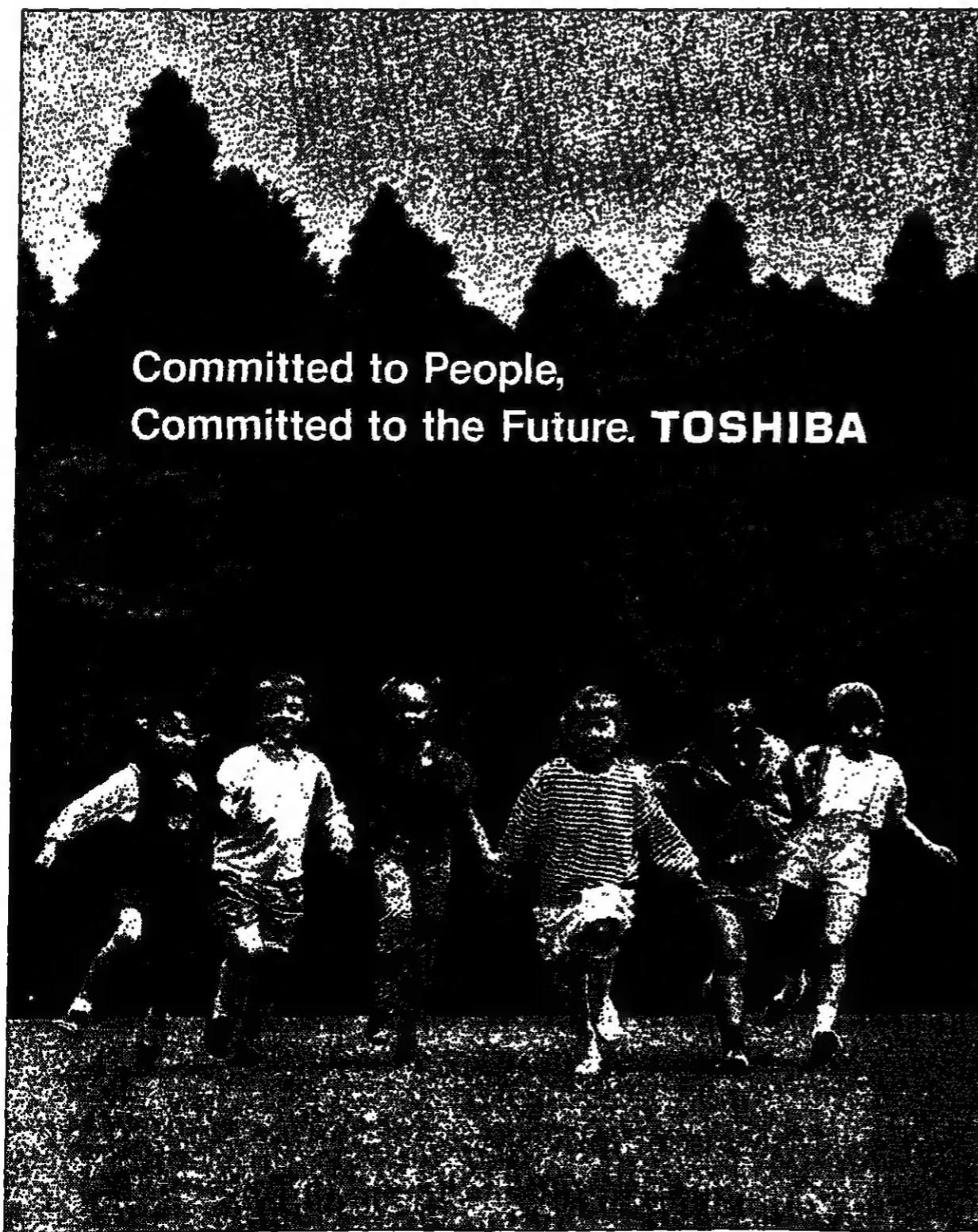
At the World Summit for Children, held in New York in 1990, 71 heads of states signed a plan of action, seeking "measurable, attainable goals" for countries to incorporate into national planning: eradication of polio by the year 2000; 90 per cent immunisation by the same date; a halving of child deaths caused by diarrhoea; and virtual elimination of vitamin A deficiency.

While developing countries - Tunisia and Zimbabwe among them - have shown themselves capable of reforming their health sectors, only 2.5 per cent of all health spending (about \$4.8bn) in developing countries comes from donors. Meanwhile, the share of total development aid for health fell during the 1980s from 7 per cent to 6 per cent.

In the UK much remains to be done. The Child Poverty Action Group, the Health Visitors' Association and the Save the Children fund argued in their submission to the health white paper in 1992: "There are clear links between poverty, environment and children's health. What hope is there for the future health of the nation if the government fails to act to improve the health of the nation's children?"

Rachel Johnson

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In Touch with Tomorrow
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The International Youth Foundation

Mere survival is not enough

Battle Creek, Michigan, is a small town in the heartland of the US. It would go largely ignored by the world but for the fact that it crops up on the back of Kellogg's breakfast cereal packets.

The dozy town, sometimes smelling of toasting corn, is dominated by the Kellogg company and its sister philanthropic foundation which, according to the fortunes of its investments, vies with the Ford Foundation to be the world's biggest such charitable body.

Four years ago, a \$55m donation over three years from the WK Kellogg Foundation (WKKF) - one of the biggest grants ever made by a philanthropic foundation - gave life to the International Youth Foundation, now also based in Battle Creek.

The inspiration came from Rick Little, secretary general of the foundation, who persuaded the WKKF to award a grant, allowing him time to research and develop a new strategy for helping the world's youth.

Impressed by the fact that as much as 80 per cent of private sector giving is devoted to the creation of new programmes and pilot projects, the consensus which emerged from the two year consultation period (involving experts from 30 countries) was that more support should be given to projects which have already proved their effectiveness.

Thus a distinguishing feature of the IYF is that it steers clear of setting up new charitable programmes, concentrating instead on identifying and supporting exceptional local programmes that it believes are already making a difference, and helping them to expand.

Its philosophy, that people at grass roots level are best able to understand the problems facing young people in different countries, together with a creative approach to fund-raising and the backing of the WKKF, has proved immensely appealing to other corporate donors. Equally compelling has been the IYF's message that world prosperity depends on the well-being of its youth, a message that appeals to the business interests of many corporations.

The small staff of the IYF constantly points out that although great progress has been made in keeping more children alive, an ever greater proportion are growing up with little education, job training, productive employment - or hope.

"The basic issues of starvation, health, nutrition and survival have made significant progress," says Rick Little. "But we also need to concentrate on the issues that matter after you survive - education, training and parenting, for example. Unless we do that well, then survival doesn't really matter."

To try to ensure sustainable pro-



Enthusiasm in an International Youth Foundation programme in Ecuador

Photo: Elena Latta

grammes, the IYF encourages the creation of indigenous, grant-making country foundations which are independent of government and less influenced by donor pressures.

These foundations - there are currently seven, with another two in the planning phase - are financially endowed, with the help of the IYF, to make grants for youth programmes and to provide a channel for direct local action. The idea is that they eventually become self-supporting through local and international philanthropy.

Such a system is more likely to ensure sustainable funding for the projects. Furthermore, it avoids leaving small, economically dependent commu-

nities at the whim of donors, who may abandon projects after a few years if their priorities change.

Another IYF concern is that many donors prefer to give money for projects which address problems by categories such as literacy, drug abuse or teenage pregnancy. "This approach may overlook the fact that many problems are interrelated and require comprehensive approaches," says the IYF.

The selection of countries for partnerships aims for a regional balance; 80 per cent of the foundation's activities directed to developing countries and 20 per cent to industrialised nations. Once a country has been identified, the formal establishment and staffing of

national foundations is exhaustive, usually taking about 3 years.

In Poland, for example, there was no history of independent charitable foundations nor of corporate involvement. Yet in May 1992, the Polish Children and Youth Foundation was legally established and is today the only grant-making foundation in Poland focused solely on the needs of children and youth.

In other countries, the IYF has had to be more cautious. For example, it decided to delay establishing a foundation in Laos, where there was no legal, indigenous non-governmental organisation (NGO) structure. Beyond the partnerships (through which most IYF funds are channelled), IYF supports programmes in other countries - part of its YouthNet programme.

Any programmes that the IYF does choose to support - whether through a local foundation, or YouthNet - are put through a rigorous screening process. Nominations are solicited from NGOs, the church, business leaders, universities and international foundations, among other sources.

The IYF then "interviews" a programme to establish what its objectives are, how youth participate, and what its expected social and economic outcomes are. The programme's budget is also closely scrutinised, and tested for economic viability. The foundation further checks that a programme is independent of partisan politics.

The IYF takes a creative approach to fund raising, and is particularly keen on leveraged donations. For example, \$5.5m of the initial \$15.5m grant that the Kellogg Foundation gave to IYF was conditional on IYF raising \$10m from other sources - a \$1 to \$2 match.

IYF in turn asks its sister foundations to match donations, but varies the matches according to the circumstances of a particular country. For example, in Ecuador, the IYF gives \$3 for every \$1 that the local foundation can raise, recognising the difficulties faced by local staff in attracting corporate donations.

Of course there will always be sceptics who doubt the impact of an organisation like the IYF. In view of the scale of the problems facing the world's youth, a degree of cynicism is hardly surprising. But after only four years in existence the IYF is already having an impact, not only by helping successful programmes to expand, but by lifting the problems facing the world's youth on to the agendas of governments and business all over the world.

Emma Tucker

International Youth Foundation, Battle Creek, Michigan, US. (0101 616 969 0033)

The Prince's Youth Business Trust

Commitment to support youthful ideas and energy

Since its birth eight years ago, the Prince's Youth Business Trust has helped almost 20,000 young people in the UK. (In a survey on youth it is worth pointing out that its president is not Prince, the American pop star, but HRH The Prince of Wales.)

To do what? Mainly, to set up businesses. Some 15,000 have so far been set up or expanded with the help of the Trust (PYBT). Help comes in the shape of soft loans, grants, expansion loans, training, and marketing and business advice from a nationwide network of 4,567 advisers, all aimed at young people (18-29) with a good idea but no means to finance it.

But this help is only forthcoming if the idea is viable, if the applicant has the necessary initiative and commitment, and if the money is unavailable from other sources. The Trust makes plain its commitment to help those in this age group who were born without some of the advantages that a middle-class, public school educated, budding entrepreneur perhaps might take for granted. It sees its core market as the unemployed from inner cities and areas of "rural deprivation", the minorities, the disabled, and young ex-offenders.

It calls this its "mission", which gives some indication of the zeal to improve that pervades the Trust's St James' Square headquarters in London (where it lives rent-free, courtesy of Sir Allen Sheppard, chairman of both the Trust and the Grand Metropolitan food group).

Take, for example, Anastasis Solesas. Before he made contact with the Trust he had been made redundant; he was unemployed and broke.

A £5,000 loan and a £1,500 grant from PYBT later, he set up a business making Mediterranean snacks such as hummus and taramasalata that "taste just like the way my Mum made it for us at home." He expects turnover to reach £24,000 after his first year of trading.

Michael Evans and Peter

Gotch were among those who spotted an opportunity but lacked the means to develop the idea. When the government made it compulsory for all motor cyclists to have some training before setting out on the road, they knew that training courses for motor cyclists had to be a business winner. They started with a £5,000 PYBT loan and now operate from seven centres.

But the going is not all easy. The PYBT's funds are limited, and its dependence on the private sector to match public contributions pound for pound means that it is especially vulnerable at times of economic difficulty. After all, charitable donations are hard to justify when shareholders are baying for a distribution of profits.

The Trust describes itself as



The PYBT has helped nearly 20,000 young people in the UK

the largest business consultancy in the world which pays its consultants nothing - and estimates that it gives away £5m a year in free advice to the supported businesses. Furthermore the Department of Employment regards the Trust as wholly cost-effective in that it costs less to help a business through the Trust than it does to pay unemployment benefit.

John Pervin, the Trust's chief executive, explains that things have been hard financially since the Prince launched a £40m appeal on his 40th birthday in 1988. Though

the government, with all-party support, agreed to match all the money raised from the private sector, the appeal has to some extent fallen prey to recessionary pressures in the UK. Donations fell to £3.2m in the year to June 1993 - they came to more than £4m the previous year.

This means that the Trust's future is under serious threat. Its success rate is by any standards "amazingly constant", with over two-thirds of its businesses still trading after two to three years, but "We've only got enough money in the kitty for another couple of years," says Mr Pervin.

Though £40m has been promised by government, only £23m is due to come in because the government will not match contributions if the private sector fails to make them. Since covenanted money and paying it to the Trust, a disarming number of supportive companies have gone into liquidation.

As a result, income from the 1988 appeal, as a proportion of total resources, is diminishing fast, while the numbers needing help are rising all the time. Nearly half the number of unemployed people in Britain are under the age of 30 - a figure which has risen by 150 per cent in two years.

"We are reorganising so that we can expand our fundraising," said Mr Pervin, who denies being overly disappointed that the Trust's financial livelihood is threatened by the downturn.

The fact that the Prince of Wales is involved is bound to be a help through the difficulties that lie ahead.

He has described the PYBT as "a remarkable achievement" for a "risk business." He is sure to urge companies to look generously on the Trust despite financial stringency, on the grounds that some of the young people the PYBT helps are, after all, bound to rise to the top in industry or commerce themselves.

Rachel Johnson

Emma Tucker reviews business involvement with youth projects

Consumers of the future

There is nothing saintly about businesses who give generously to community-based charitable projects. Philanthropy barely comes into it.

Companies are well aware that they function best when they exist within a healthy community of customers, clients, and employees.

But consumer prosperity depends on factors such as education, employment and job skills, especially for young people who are the consumers of the coming decades. This is where many businesses see their role. As Sir Allen Sheppard, chairman of Grand Metropolitan, the food and drinks giant, puts it: being involved in the community "isn't to do with do-gooding. Nor is it motivated by concern or shame that GrandMet is such a prosperous company. This is a natural involvement for any company to have".

GrandMet's case is clear: "The long term continued success of our business depends on the existence of prosperous consumers to buy those products," it says in a statement on corporate community activities.

Arguments in favour of involvement in youth strategies are probably stronger now than ever before. Some 300 people in the world live in countries that are going through radical restructuring - whether in China, India, eastern Europe or Latin America.

"In the long-term, business has got to appeal to the young people growing up in these and other countries in terms of them as future consumers, clients and employees," says Mr Robert Davies, chief executive of the Prince of Wales Business Leaders' Forum, in London.

Furthermore, the idea that government alone should worry about society's needs has gradually been eroded, paving the way for partnerships between government, businesses, local communities and non-profit making organisations. "More companies are responding with more resources and creativity than ever before," says Richard Schubert, president of the Points of Light Foundation, a non-profit organisation aimed at alleviating the most serious social problems in the US.

The growth of the International Youth Foundation - which promotes effective youth programmes across the world that have already proven their ability to make an impact - reflects the huge interest that business has in promoting the well-being of young people. In the four years since it was established, its fundraising commitments have risen from \$5.5m to \$23.54m.

Yes International, a London based foundation responding to requests from countries overseas for assistance in developing youth enterprise strategies, has - in the nine months since it was established - developed model pilots and support infrastructures in Africa, Asia, and the Caribbean, reflecting the fact that business interest in youth projects as well as willingness to get involved goes beyond the industrialised world.

Expecting corporations to get involved beyond mere philanthropy is a tall order

In India, for example, a youth business trust was recently launched, modelled on the Prince's Youth Trust in the UK. Yes reports that the success of the local trust results mainly from the generosity of local Indian industry and secretarial back-up from the Confederation of Indian Industry.

For many businesses - at least in the richer nations - significant interest in community involvement began in the early 1980s, when it became clear, as companies tackled the problem of over-manning, that unemployment was set to rise.

"We knew that with a lot of redundancies, we were going to make the situation much worse," says Sir Allen. "The natural answer was to say that 'they' - the government - would do something about it, but that was a ridiculous idea."

"Our involvement in the community is genuinely business driven, even if measuring the returns is not that easy," he adds. Like many other big companies, most of GrandMet's activities are focused on supporting young people in the world of work. These include an initiative to educate

school dropouts, a programme to help young homeless people obtain jobs and projects offering work experience in offices for children in local schools.

But business involvement with the community is not just about promoting the prosperity of future customers and employees. Companies in the US, and increasingly in Europe, find consumers becoming more discerning about which products they buy - what may tip the balance is the knowledge that a company is actively involved with the community.

"We know from 1992 Mori research that nearly three-quarters of consumers - 73 per cent - say they are more likely to buy from companies active in the community. One testament to this is the fact that Burger King restaurants which are active in their local area show an increase in their sales," says GrandMet.

Involvement in the community is also believed to motivate employees, and is something at least when the economy is not in recession - that the best prospective recruits will look at in deciding where to work.

The idea of partnership between businesses, communities and charitable organisations is thus an attractive one for the 1990s, appealing both to the long-term business strategies of companies and to changes in the political climate.

But this approach is only any good in places where companies perceive that they have a business interest. Realistically, businesses are unlikely to get generously to the countries that most need the assistance.

Mr Davies points out that his organisation - the business leaders' forum - has to "work with the grain", which means it is unable to get business involved in Ethiopia or Sierra Leone, for example.

The really poor countries do not have the business potential of a Poland or a China. Expecting corporations to get involved beyond mere philanthropy is a tall order.

"And that," says the otherwise optimistic Sir Allen, "is a genuine world problem".

them. Likewise, forging ties between young people and their communities will not ensure that, as adults, they will not be forced to migrate from their homes in search of a better life.

The growth in the world's population calls for decisive action by partnerships formed between government, business, non-governmental and non-profit making organisations, aimed at channelling resources towards people growing up in the 1990s. Only then will all those who make it through their first crucial years as babies have hope to flourish in youth, leaving in their place a better legacy for those who come after them.

There is no substitute for caring parents, but supportive adults, good schooling, proper health care and effective charitable programmes can start to make a difference. Throughout the world there exist thousands of programmes which are improving the environments in which young people live - and raising our consciousness of their needs.

Yet philanthropy alone cannot solve all the problems. Even if young people are provided with a good education, there is no guarantee that there will be jobs waiting for

2.3 children per woman - lower than in China, Thailand, the former Soviet Union, and Ireland. One significant factor in explaining Kerala's success, says the United Nations Population Fund report, is the priority given by the state government to spending on education and health.

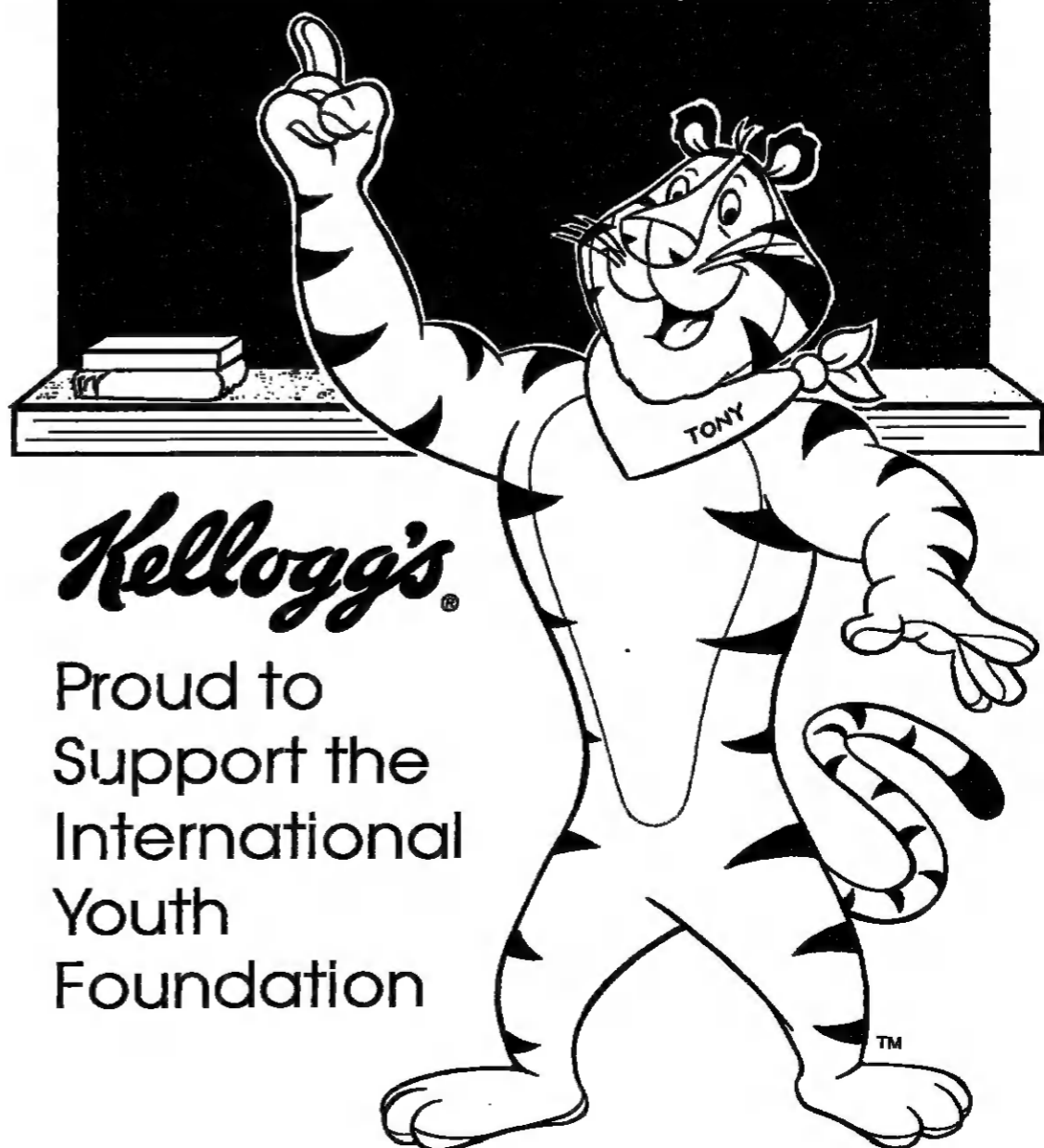
But in a world of diminishing financial resources, where the prevailing economic philosophy in many countries is for governments to scale down state involvement in society, how are the aspirations of youth to be met?

Continued from page 1

Education - especially for women - is associated with lower fertility. In turn, children from smaller families tend to have more years of schooling and perform better at school than those from larger families.

The impact that educating women can make shows in Kerala, the southern Indian state. Its female literacy rate of 66 per cent is almost double that of its nearest rival, while its fertility rate has fallen to the astonishingly low level of

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THE WORLD'S YOUNG PEOPLE IV

Leslie Crawford profiles
Undugu's work in Kenya

Patchwork solutions

"Mama, I'm hungry, buy me something to eat."

The boy's voice is soft, but his eyes are desperate. The rags he wears flap about his thin legs. I give him a sweet bun and a coupon which will entitle him to a hot meal and a bath in one of the shelters run by Undugu Society, a non-government organisation devoted to the care of destitute children.

There are more than 130,000 street children like him in Nairobi, an inescapable reminder of Kenya's decline into poverty and social strife. The children - or "parking boys" as they are known in Kenya - survive by begging, prostitution, or theft. They cheat their hunger by sniffing glue. They are regarded as pests by the police and as an eyesore by the local tourist authorities.

Every few months, police make half-hearted efforts to sweep them off the streets. As the government cannot afford to keep them in juvenile detention centres for long, the children soon return to their old haunts.

Over the past 21 years, Undugu (the name means "brotherhood" in Swahili) Society's work has evolved from rescuing children from the streets to addressing the problems that drove them there in the first place.

The core of Undugu's work revolves round providing underprivileged children with basic education and survival skills. It has also become increasingly involved in trying to relieve poverty in Nairobi's sprawling slums.

Through small loans for small business ventures, skills training and community-based health and nutrition projects, Undugu hopes it might be able to alleviate the economic hardship that causes family break-ups and abandoned children. Providing low-cost shelter for the urban poor has been another priority.

Despite Undugu's efforts, the plight of Nairobi's street children gets worse every year.

Rapid population growth, rising unemployment and structural adjustment policies have hit urban dwellers particularly hard.

Nairobi's overcrowded slums lack basic sanitation and are often plagued by water shortages. The removal of food subsidies has priced most staples, including maize, beyond the reach of most urban households. Children are withdrawn from schools because parents cannot afford school fees. Malnutrition is on the rise.

"At best, we can only provide patchwork solutions," says Friar Arnold Grol, the Dutch missionary who founded Undugu Society in 1973. "We cannot solve national problems, and we should not be a substitute for the lack of government policies to fight poverty and injustice."

Friar Grol does not believe in handouts or food aid, but he is now feeding the 1,000 children who attend Undugu's schools. "Children were dropping out because they had nothing to eat," he explains. For the first three years, children are taught basic literacy and numeracy skills. The fourth and fifth years are dedicated to learning a trade. "We teach them to become self-reliant," says Grol.

Undugu is also sponsoring 400 children in state schools and seven at university. The white-haired friar is a familiar figure round the wood and metal workshops and the garage, which train future carpenters and mechanics as well as providing Undugu with an income to finance other projects.

There is a tangible pride in what they do, as well as some grumbling about low wages. "When I look at the kids who are still on the streets, with no future, I know I am lucky to be here," says Francis, an 18-year-old carpenter.

Undugu's latest project - centres which provide street children with meals, counselling and a bath - was developed in partnership with the



Young people in developing and developed countries - Kenya (above), Poland (right), the Philippines (left), the UK (below) - benefit from programmes supported wholly or partly by the IYF. (See page 11)

It was during the height of recession and the depths of dictatorship that the Vicaria Zona Norte, an outreach office of the Chilean Catholic Church, began working with children in the slums of Santiago.

The Vicaria set up its "Recreation and Urban Centres" programme in 1982. At that time Chile's economy was in shreds, savaged by the Latin American debt crisis which had produced the worst assault on living standards since the 1930s. It

was also a period of social unrest as huge unemployment and plummeting wages led to a wave of street protests against the military government of General Augusto Pinochet.

Against such a backdrop the Vicaria's aims seemed modest. It began to work with children from the poorest parts of Santiago, encouraging them to meet, play sports and discuss their problems. Most of the children came from homes (often violent) where there was little motivation or time for leisure. Many of their families had been "relocated" to squalid housing estates in the no-man's-land around Santiago.

The Vicaria's main concern was "high-risk" children living in these so-called *poblaciones*, bereft of public services or recreational facilities. "The kids just used to go out on to the streets, like vagabonds," says Ana Leighton, who came to the Vicaria as a child and who is now chief programme director. "It was a period of crisis in terms of participation. Nobody took part in anything in those days. There were no unions, no political organisations. But then people began to wake up, disillusioned with having been asleep for so long."

The idea was to defend children's rights to an identity, health, education, a family

learned new dances. Once a year there was a week-long summer camp. "From the outset the child was the focal point," says Ms Leighton. "The idea was to defend the rights of children - their right to an identity, to health, education, a family and a place to live. This became our slogan."

The programme has worked with more than 4,000 children, and it has trained 700 volunteers. Today it finds itself operating in very different circumstances. Chile, which returned to democracy in 1990, is now experiencing rapid economic growth and is seen as a "miracle" of Latin America. While this has helped to drag many people out of poverty, the country's success has brought its own problems. The Vicaria now finds it harder to raise cash internationally, as charities switch funds to more needy causes. Many centres have become adept at raising their own financing. Ms Leighton is also concerned that the growing conspicuous consumption of Chile's middle classes is creating

Recreation is central to Vicaria's work in Chile

'High risk' concern

new resentment among the country's poor, especially its youth. UN criteria show nearly one in three Chileans below the poverty line.

"Lots of the kids don't have much to be proud of. They speak of today, but not of tomorrow," says Ms Leighton. She says that higher education is beyond the reach of most poor children - save for the few who win scholarships. Those stranded in the slums can only watch with envy as their wealthier contemporaries advance ever closer to a western lifestyle.

Among the difficulties faced by children today, Ms Leighton highlights the rising rate of teenage pregnancies - particularly problematic in ultra-conservative Chile, where the use of contraceptives is controversial and abortion and divorce are illegal.

She is also worried by the spread of football hooliganism, and evidence that violent crime is rising. Towards the end of 1993, the press devoted much attention to the case of a 15-year-old accused of killing an eight-year-old boy for his ice-cream money. Like the James Bulger case in the UK, many commentators are using the incident as evidence that, despite the economic "miracle", all is far from perfect with Chile's children.

David Pilling

A poor child in Chicago, in the US, may never meet a successful adult

Families torn by want

Sixty one children under the age of 15 died violently in Chicago last year, part of an epidemic which plagues all of America's cities.

For young survivors in Chicago's poorest neighbourhoods, where childhood is punctuated by the sound of sirens and gunshots and families are torn by want, the world is limited and dangerous. Education, the vehicle most often used to escape poverty, is inaccessible in the city.

Affluent and middle-income families long ago left the public school system, enrolling their children in a parallel system of private academies. What remains, and what serves thousands of poor children, has been judged the worst public school system in the nation.

One of every two students entering a Chicago public high school this year will not graduate. For boys, the drop-out rate is even higher. 70 per cent of Hispanic males who start high school do not finish, and African American boys in the city also have a dismal graduation rate. Distracted by violence and street life, many children lose interest in school by the third or fourth grade.

Chicago, the third-largest city in the US, is also the most segregated. Gaps in economic well-being among racial groups are perpetuated by gaps in educational opportunities. A poor child in the city may never meet a successful adult, has few constructive role models,

and may have little incentive to finish school.

For Walgreens Corporation, the largest drugstore chain in the US, based in Chicago, the city's educational failures provided the spark for an award-winning private initiative aimed at raising achievement levels of inner city children. Tom Mammone, director of corporate communications for Walgreens, says the company has a natural and longstanding interest in youth.

Walgreens, with \$8.3bn in sales last year, operates in many inner city markets and has 100 stores in Chicago. "We became concerned that there be enough qualified employees for us out there," he said. "We saw all of these kids in our own city who weren't making it, and we decided to do something about it."

That "something" became an eight-year partnership with the Midtown Educational Foundation (MEF), a not-for-profit agency with a 30-year history of helping mostly minority children in Chicago's west-side neighbourhoods.

Midtown was already operating several after-school and summer programmes aimed at raising the educational success rates for high-school-aged boys. With a four-year start-up grant of \$190,000 from Walgreens, the MEF initiated a personal tutor-

ing program for younger children, at the ages of nine, 10, and 11. Since its inception in 1989, the One-on-One programme, as it is called, has expanded to help nearly 200 children each year stay on track at school.

The key to the programme's success has been a host of volunteer tutors, mostly young professionals drawn from Chicago's business and academic communities, who serve as role models and confidants as well as homework coaches. While there are a host of tutoring programmes in Chicago, the Midtown effort is distinctive because it relies on what Mr Palos calls "the whole child."

"We're not just trying to improve grades; we blend education, sports, culture to form a complete character, a person of substance," Mr Palos says. "We place a huge emphasis on becoming a successful person."

Typically, a child meets with his mentor once a week after school at a Midtown facility for an hour of personalised study, a 15 minute group discussion of values, and 45 minutes of sports. Tutors are encouraged to meet a child's family, and to understand the circumstances of the child's life.

Affiliated with the Catholic service organisation Opus Dei, Midtown runs separate One-on-

One programmes for boys and girls. Mr Palos does not pretend that his programme teaches the neediest children. "We are very focused, and we aim for the average child. Our goal is to prepare them for college."

To qualify for One-on-One, a child must demonstrate that he or she has a supportive parent, who must come in for an entrance interview at Midtown. Joan Costello, an education consultant who evaluated the One-on-One programme for Walgreens, praises Midtown for its preparation of tutors, the support it provides to both children and volunteers, and for measurable achievement.

85 per cent of the children in Midtown programmes, including One-on-One, graduate from high school, and 60 per cent of those attend college. "The One-on-One programme at Midtown Center exudes vitality," Ms Costello said in her report. "It gives one a hopeful sense of what can be done when a capable organisation helps one adult and one child become friends and grow stronger together."

The One-on-One model has been applied in other US cities, including Boston, the South Bronx district of New York, Dallas, and Washington DC. Meanwhile, Walgreens has increased its support of the programme, recently donating an additional \$400,000 to fund One-on-One through 1996.

Laurie Morse



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TIPS FROM THE TOP

MBWA — manage by wandering around

Low Platt, chief executive of Hewlett-Packard, offers advice on keeping close to your employees

I have just completed my first year as chief executive of Hewlett-Packard, a year of escalating competition in our industry and continuous pressure on our employees to make difficult changes. Sounds familiar? Because most of our 96,000 employees around the world are struggling with tumultuous change, I made a decision at the outset to focus my inaugural communication efforts on employees. Although this left little time for press interviews or communicating with other important constituents, the first 12 months presented an opportunity to gain employee support that wouldn't be repeated. I've been a believer in open, two-way employee communication throughout my career, and this year reinforced that belief.

Employee communication seems to be a fact that comes and goes in many companies. At HP, though, it is a sustained effort; in fact, it is ingrained in our company culture.

There are some simple practices that have worked well at HP for more than 50 years. They are so simple that they're often rejected or overlooked. They were put in place by our company founders — Bill Hewlett and Dave Packard — when they started the business and I'm fortunate to have inherited this legacy from them.

The first rule is to trust and respect all employees. We approach each situation with the understanding that people want to do a good job and will do so given proper tools and support. This is one of the values that underlie our corporate objectives. It's evident in our lack of time clocks. Employees are trusted to keep track of their own hours. It is also evident in our placing decision-making at the lowest possible level, where invariably the best decisions are made.

Second, create an atmosphere of open communication and let it permeate the culture. At HP, we have an informal atmosphere where everyone is on first-name



Decisions are taken at the lowest possible level, where invariably the best ones are made

terms, regardless of rank or job.

We also have a number of mechanisms to encourage people to talk to each other, including: an open-door policy where there are no doors; regular employee communication sessions in which managers update employees on the state of the business; communication lunches where employees can share ideas and identify problems in a two-way exchange with management; and coffee pots located around the company where people can gather for informal conversations. We also encourage MBWA — managing by wandering around — which lets managers in touch with people.

Third, establish an "open door" policy. At HP, my door is literally open to an employee with a problem, a complaint or a suggestion. The practice has been extended successfully to our electronic mail system and I get dozens of letters each week from employees, as do managers throughout the company. This practice has worked as well as any formal employee suggestion programme I've ever heard of, and it's much less costly.

I spent much of my first year as chief executive travelling in

HP sites around the world.

It is amazing how these principles work so well in both the UK and the US. At every site, I've made a point of having a brief, informal session with employees. These have been invaluable for reinforcing my key objectives and learning what's on people's minds.

This is not just the job of the chief executive. People expect the entire management team to live by these values and not just talk about them. Every HP manager is accountable for communication on his or her performance. Every employee survey, conducted at least once every 12 to 18 months, is one of the best measures of how well managers are performing in this regard.

None of these practices is new. There is no magic about them. But they are time-tested, and they are the primary reason why we have been able to attract and keep top talent, even in the most difficult times.

This concludes the present series. The FT will shortly be publishing *Tips from the Top* as a single book. For John White on 071-873-3072 for further information.

A few years ago, Yutaka Kume, chairman of Nissan, acquired a small, ready-built house, in the suburban area, in the Tokyo area, in the suburbs of Tokyo.

A photograph of Kume's dream home, sitting on an undistinguished plot of land, shocked the Japanese public when it appeared in a popular magazine.

Expensive as Japanese house prices might be, Kume's residence, located in a distinctly middle-class residential area, was not what might have been expected in the chairman of Japan's second-largest auto maker.

Executives of Japan's large and famous companies may enjoy prestige and a high profile on the international stage, but wealth is usually not one of the benefits that comes with their office.

Like Kume, many Japanese executives live in residences which would be considered humble by western standards. And unless they are self-made millionaires, or have inherited wealth, their personal fortune is likely to be so insignificant that it would make American and European executives look like the comparison.

According to a survey last year by the Sekai Kenkyu-jyo, a private research organisation, the average annual income including bonuses of the presidents of 50 companies listed in the first section of the Tokyo Stock Exchange was ¥37.25m (\$223,000).

Although this is about 10.5 times the average pay of first-year salarymen, according to the Sekai Kenkyu-jyo, it is a paltry sum compared with the millions of dollars paid in remuneration to the executives of America's top corporations.

The exception to that general rule is the executive who is the company founder or belongs to the founding family, owns a large number of shares in the company or enjoys an unchallenged position at the top for similar reasons.

Takashi Tsutsumi, who inherited the Seibu Railway empire from his father and was succeeded by his son in 1982, is an example. He is 80 years old and his net worth is estimated at ¥100bn.

Another example is the late Akio Morita, of Sony fame, who built up his radio business into one of the biggest names in consumer electronics, and his family.

For most Japanese "salarymen", who are employed by public companies, their wealth is the stuff of dreams.

One reason for the low level of executives' remuneration is that Japanese companies, which are



The unassuming residence of Nissan chairman Yutaka Kume as it appeared in Friday, the popular Japanese magazine

Wealth eludes the salaryman

Western managers are under attack for being greedy. It's a different story in Japan, says Michio Nakamoto

Inappropriate to award a huge bonus to executives' and other employees' pay," explains Michio Nakamoto, chairman of Sekai Kenkyu-jyo.

For Japanese companies, the bonus is a key element of the remuneration system, such as in the form of preferred shares or stock options which are commonly used in the west. Stock options have made many a businessman in the west quite wealthy. But in Japan, where companies often buy their own shares, the system is different.

Even if it did, the Japanese view of a company's performance is the sum of employees' work and prohibits rewarding executives alone for good business results.

"Japanese companies take a long-term view of business performance which is reflected in the outcome of measures taken over many years rather than the result of one man's hand work," says Nakamoto.

At the same time, the Japanese company executive is expected to set a good example for other employees. Extravagance in any form is likely to be frowned upon and would trigger criticism at the

time signs of a business downturn or unhappiness among employees. While many would sympathise with Kume, his self-restraint, according to one industry official, "is a model for the Japanese salaryman."

The role of the company executive, as a mirror for other employees, has been in particular evidence during the country's present economic downturn. When business is slow it is common practice in Japan for companies to cut executive bonuses and pay first.

In the Japanese salaryman's prospect last year of a bonus on pay, many Japanese executives have already taken cuts in their bonuses, while basic pay is also down for those of some companies.

Executives at Toyota, for example, have had their remuneration cut by 30 per cent since the summer of 1993 while those at Nissan Steel have had theirs cut by 20 per cent.

At the same time, the Japanese company executive is expected to set a good example for other employees. Extravagance in any form is likely to be frowned upon and would trigger criticism at the

social events, and make cash gifts befitting their high social status. However, there are some remuneration compensations. The Japanese salaryman does generally enjoy round-the-clock use of the company car and his own chauffeur, as well as membership of the most exclusive golf clubs, an entertainment allowance that is almost unlimited and other perks. These companies even have luxurious housing arrangements for their president.

As a result of such benefits, it is difficult to strictly compare the remuneration of Japanese and western executives, says Koji Aoyagi, a consultant at Wyatt-Selkirk, the consulting firm. When Japanese companies, it is hard to draw a clear line between perks that are essential to the executive and those which are provided in the interests of business. Aoyagi points out.

What is clear, though, is that such benefits only last as long as the company remains profitable. For the retired Japanese executive, the medical golf club he has come to know as well as his own chauffeur, and other

BUSINESS TRAVEL

These days only the deeply devout are scared of doing business in Beirut. Unless, of course, you believe the myth of being hoodwinked or outwitted in what, since Phoenician days, has been one of the Mediterranean's sharpest trading cities.

Now that Lebanon has returned to peace after its bloody civil war, trade is picking up. The UK last week renewed export insurance cover to Lebanon for the first time since 1977. At the same time Lebanon's Prime Minister Rafik Hariri was in London selling the country's \$10bn reconstruction plans. The French and Italian governments are also taking a positive view of Lebanese prospects.

Beirut is a beautiful and the prettiest place to do business — though the chaos of rebuilding and damaged buildings are morbidly fascinating. Neither is it the most efficient. The telephone system can sometimes leave you yearning nostalgically for the Phoenician's pigeon post, and rush hour is taken in the company of a fat navel and a mask in filter the petrol fumes that it is with enough.

There is no shooting or shelling since 1990, and there is no longer any hostage-taking. But visitors ought not to tempt providence. Roaming around the Hizbollah enclave of Beirut's southern suburbs, for instance, would attract suspicion, while jogging in the streets in a stars-and-stripes sweatshirt would not be a good idea.

There is no cause to be too nervous of men in fatigues with guns, as everywhere, along with the old armoured car or tank. Lebanese and Syrian army checkpoints are common, though usually offer no impediment. However, soldiers in Beirut are not being photo-

Not yet a pretty sight, but safe

Beirut is again a place to do business. Mark Nicholson offers some tips

graphed. And you should carry a passport, particularly at night or when leaving the city.

Getting around Beirut is fairly straightforward. Battered Mercedes cabs are easy to find in the centre and short hops cost only a dollar or two (just about everything in Beirut can be paid for in dollars; taxis, restaurants and many shops will quote you dollar prices first). Most drivers speak some English and know their way around. But get the directions clear, as the hotel to write them down. For a series of morning meetings, you can be hired from the hotel lobby, which can be exorbitant, or directly related to your ability to bargain — a pricing principle that applies to most transactions. A common charge is about \$20 for a morning. Grabbing a taxi on the street is always cheapest, but if you are going far from the centre, ask the driver to wait.

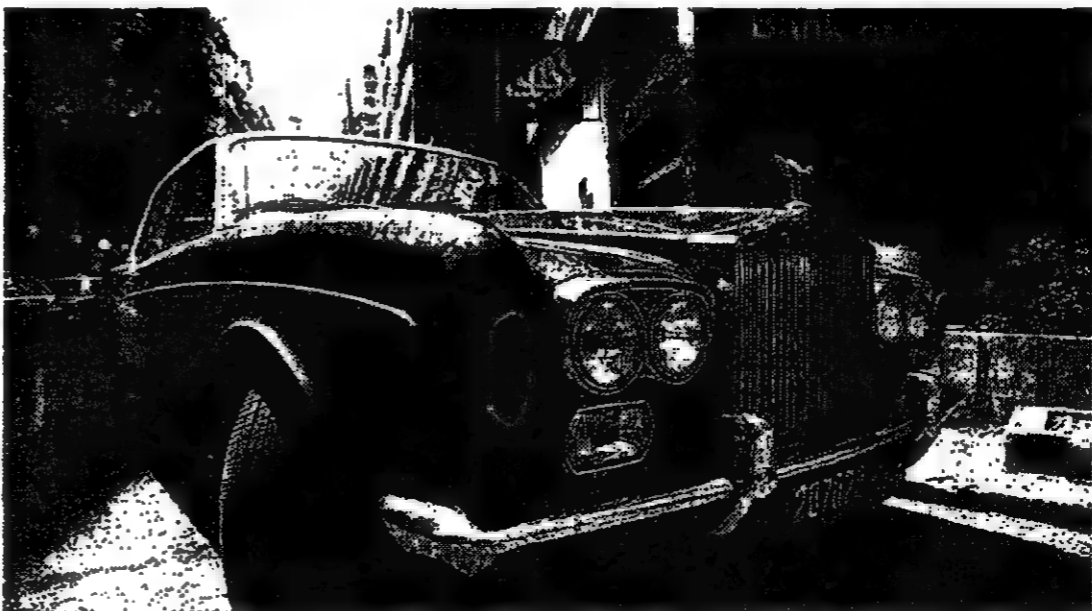
Getting to Beirut is also becoming easier — aircraft arrivals were up 26 per cent in the third quarter of last year and are rising. The airport is simple and effective, and the

will enjoy the sight of Middle East Airlines' fleet, which still includes a few doughty 707s. In some airports in the developing world, the degree of delay, intrusiveness, bloody-mindedness and bureaucracy at the airport is often a good indicator of things to come. Beirut scores suitably high on the business scale.

Once there, despite the obliteration of Beirut's urban upmarket hotels during the war, accommodation is comfortable if not always lavish. The seafood Summerland and Coral Beach hotels are reckoned to be the city's top plush, and cost from \$100 a night.

In and around Beirut there is a wealth of cheap and slightly cheaper Cavalier and Mayflower hotels. The good news and excellent service. And, in the Beirut Cavalier at least, there are direct, international phone lines, at about \$1 a minute in the UK.

Telephone calls are Beirut's chief headache. The old rotary exchanges are hopelessly outdated and will stay so until \$100,000 contracted



Beirut business: there are plans to develop a banking and financial centre, but it won't be complete for a few years

year or so. Reaching an outside line from a hotel can, on occasion, take about half an hour. Dialling some "difficult numbers" in Beirut is an exercise in finger pain. Many Beirutis, therefore, have portable phones that use US networks, which means dialling through New York to speak to someone across town. Such calls must be among the most costly per dollar/minute in the world.

To cheer yourself up after a frustrating phone call, you could visit one of Beirut's restaurants. Lebanese food is, as the locals will keep reminding you, the best in the region. Traditional Lebanese dishes, such as hummus, babaganoush and tabouleh, are generally freshly

pared. Beirut is not a local. Locals consider Nasr, Yildizlar, in Paris and Istanbul among the best places to eat. There are several good Italian restaurants, including the Spaghetteria, and French ones such as the Vieux Quartier, which is arguably Beirut's best and certainly its most pricey.

Lunch is a pre-embellished institution. Forget about bringing prospective business partners along with a two-hour lunch in a French or Italian restaurant, while being courteous to your associates' religion, much of it down with a little of Lebanon's respectable wine.

Otherwise, there are few signs of business engagement in Beirut that do not apply elsewhere. The city's business community is more cosmopolitan than any other in the Middle East, though, as elsewhere in the region, personal contact and trust are a premium.

Most business people speak good English, but the years of French rule have also left an enduring legacy, especially among Beirut's Christians. As for "baksheesh", Lebanese businessmen are far too sophisticated for any such crude transaction, which is not the same as the "commissions" will be required at some point.

For your non-working hours, there is a whole lot of Beirut's curricular activities than in almost any other Arab capital. These range from casual jazz bars, such as the Blue Note in East Beirut and the Soho-style Scooz's bar-restaurant

in Verdun, to the nightclubs of Jounieh, 45 minutes' drive north. Lebanese play newly released, and uncensored, movies.

The old souk has been shelled out of existence, and is a focus of Lebanon's ambitious rebuilding plans. But there are plenty of chic western-style shops, with commensurately high prices.

As for sport, there is that old Lebanese tradition about being able to ski in the morning and swim in the afternoon. The determined visitor can do so for part of the year, or in life-threateningly cold water, or probably both. Beirut is a city that is a great part of their trip might more comfortably try Vancouver.

There are, however, both skiing and ski resorts less than an hour's drive from Beirut which are pleasant enough to enjoy on their own at the suitable time of year. Beirutans should be aware, however, that Lebanon's laissez-faire waste-disposal policies are thought by some to have led to nuclear waste being ejected into the sea.

There are few other hectic confronting business centres in Beirut. The heart of the city — which Life magazine described in 1988 as "Las Vegas-Riviera-St. Martin's flavoured with spices of Arab" — is being rebuilt. It will be at least 10 years, however, before the government's redevelopment plans reach the point of a banking and financial centre, and perhaps 20 years before the Beirut artists' impressions materialise into a shiny new Mediterranean city.

All that, of course, also depends on a broader Middle East peace and liberalisation. But Lebanese businesses, at least, are trying not to let the vagaries of that hold them back.

Taiwan relaxes visa rules

Citizens from 12 countries — Australia, Austria, Belgium, Britain, Canada, France, Germany, Japan, Luxembourg, the Netherlands, New Zealand and the US — will be allowed to enter Taiwan for a five-day stay without a visa.

Danish link
Europe's longest rail and road bridge was completed last week. The link between the Danish islands of Fyn and Sjælland, is part of a planned bridge and tunnel link over Denmark's Belt.



Airlines

Air France is spending \$830,000 to spruce up the interiors of six of its Concordes.

The US Supreme Court last week backed US airports in their long running dispute

with airlines over fuel tax using runways and airport facilities. The court ruled that airports were free to charge fuel they desired were reasonable.

US Airways and British Airways are taking practical steps to consolidate their alliances in the US. The US airline, which is British Airways' partner in North America, plans to move its services at New York's Kennedy Airport to the same terminal to improve connections with BA's eight daily trans-Atlantic flights.

British Airways flights to Poland are still disrupted by a dispute with Polish Airlines over landing rights at Heathrow. Travellers on BA flights to Warsaw are flying

to Frankfurt and then travelling onto the Polish capital by bus.

German Air Lines and Asiana Airlines plan to add 12 international destinations to their routes this year, including Washington, Seattle, Beijing, Brussels and Stockholm.

Airbus is planning to change regulations to permit its state-owned domestic and international airlines to become publicly traded companies, according to Reuters newspaper reports.

They said the government issued a special ordinance in 1993 parliamentary law that nationalised air services in the country and did not allow private airlines.

Greece snowbound

While airports are the last to be hit by the snow, the normal despite continuing mild weather, Greece's transport system was heavily disrupted over the weekend by a cold snap. The last train arrived in Athens from power cuts and flooded Athens streets as temperatures sank to their lowest level this year and snow blanketed much of the country.

In Athens temperatures went down to minus 3°C (26°F) over the weekend and authorities urged people to stay indoors. Few tourists and cars ventured onto the usually busy streets. The first of all islands was suspended.

California

Flights to Los Angeles were not affected by one of the strongest aftershocks the city has suffered since the earthquake last days ago.

The Saturday morning aftershock measured 5.0 on the Richter scale. For many families it was the first night that they had returned back to their damaged apartments.

California's reputation for earthquakes was reinforced after state governor Pete Wilson was forced to apologise in 22 Japanese consulates were robbed at gunpoint on a tour last week by two men after a visit to a factory.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	☁ 5	☁ 14	☁ 4	☁ 3	☁ 7
Hong Kong	☁ 23	☁ 25	☁ 23	☁ 23	☁ 24
London	☁ 7	☁ 8	☁ 6	☁ 6	☁ 5
Frankfurt	☁ 5	☁ 3	☁ 6	☁ 8	☁ 5
New York	☁ 1	☁ 4	☁ 4	☁ 3	☁ 6
L. Angeles	☁ 22	☁ 22	☁ 17	☁ 18	☁ 19
Paris	☁ 11	☁ 12	☁ 12	☁ 19	☁ 11
Petro	☁ 5	☁ 7	☁ 9	☁ 10	☁ 6
Zurich	☁ 7	☁ 8	☁ 10	☁ 10	☁ 6

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

Samuel Brittan

Evidence for a real recovery at last



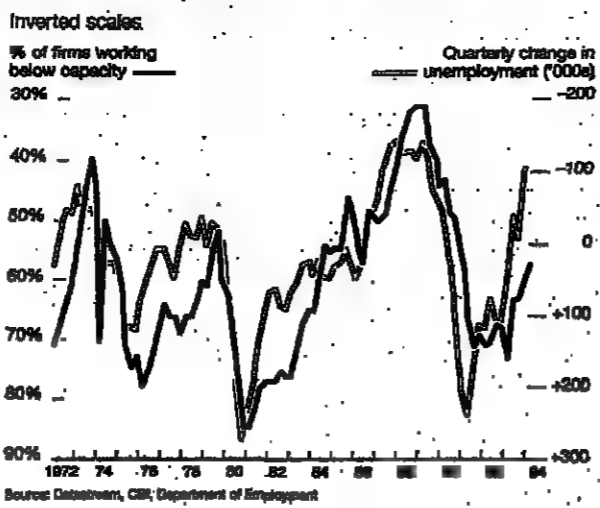
For instance, it is certain, as anything else is, that the British economy has at last recovered from a real recession. By that I mean not merely a technical recovery, which we have had since the second quarter of 1992 and of which the Treasury has said so much, but growth sufficient to take us out of the recession. The fascinating aspect of that is that it is possible to infer something important from the fact that we can put only signs and not real numbers. The growth rate has been estimated at 2.1 per cent per annum. It is not known with any confidence what is to come. What we know, however, is that the economy is rising faster than trend.

There are two main ways of measuring the slack in the economy. One is from direct survey data. The CBI finds that the economy is not merely a good deal higher than at the bottom of the recession, but above the average percentage level of pay settlements. The economy is still operating at the point at which inflation is likely to accelerate. What is more, the Treasury has said that the economy is likely to leave well behind and try to catch up the recovery by interest rate cuts - which oddly enough seem to have been demanded mostly by the anti-EC Right among ministers.

Clearly, the present rate of recovery cannot be guaranteed. What are the main threats? The first and well-advertised one is from the effects of this year's tax increases, amounting to more than 1% per cent of GDP. But fiscal squeezes just as large have in the past failed to slow down recovery once it has begun.

For any given state of price expectations, inflationary pres-

Capacity working and unemployment



ures are affected both by the amount of slack in the economy and the rate at which the slack is being absorbed. Core inflation - if we remove both mortgage interest and tax distortions - is not far from 2 per cent per annum. The upward trend in sterling is also an anti-inflationary influence. The one influence for inflation is the rate at which the labour market is tightening, and unused capacity has been taken up.

But starting from a deep recession, there is a danger here. The remarkably sustained level of pay settlements indicates that the economy is still operating at the point at which inflation is likely to accelerate. What is more, the Treasury has said that the economy is likely to leave well behind and try to catch up the recovery by interest rate cuts - which oddly enough seem to have been demanded mostly by the anti-EC Right among ministers.

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would be quite wrong to offset contractionary pressures from this source before there is any evidence of their impact.

The other potentially contractionary influence is an excessive rise in sterling. Here, however, the alarmists themselves are being over-influenced by the market against the D-Mark. They should look at a chart in the CBI's own January Situation Report, which shows that the great bulk of the depreciation of sterling since the UK left the ERM has remained intact, if measured by the comprehensive sterling index. This is better luck than the government was entitled to expect. Independent evidence such as that collected by the Bank of International Settlements suggests that sterling is slightly overvalued.

If a wall of money were to descend on London and sterling threatened to reach dizzy and unsustainable heights, then it would be right to raise interest rates, maybe drastically. The anti-European Right might then be torn between its dislike of exchange rate management and its lately avowed penchant for depreciation.

If I had to put it all on one of Winston Churchill's postcard-sized messages, it would be: "UK economy moving up."

For now, Asquith used to say: best wait and see."

Every business day, at 5pm Eastern Standard Time, a computer in a plain building in Phoenix, Arizona, goes into action. It does not take long for it to do its work: within seconds, orders from people who want to buy and sell shares in US companies have been matched together and deals struck, without human intervention.

At least 700,000 shares a day, the two-year-old Arizona Stock Exchange accounts for a tiny fragment of the volume of trading that passes through the US stock market. It represents 0.1 per cent of the combined turnover of shares traded on the New York Stock Exchange and Nasdaq, the US's screen-based market.

To some in the longer-established exchanges, however, the Arizona Stock Exchange, and others like it, pose a serious threat to the future of the US stock market by taking business away from so-called "primary" markets such as the NYSE and Nasdaq.

The critics have two complaints about the newcomers. First, some investors' orders may end up being executed in a market where they do not find the best price. Second, and worse, fragmentation may weaken the mechanism by which markets determine the best price for shares. Increasingly, buyers and sellers will no longer be coming together in a single forum.

The people who raise these concerns - the NYSE has been among the most vocal in recent years - do so in part out of self-interest. But such worries prompted the report last week by the Securities and Exchange Commission, the government agency which regulates the investment markets. "Market 2000", the SEC's first broad study of the structure of the US equity markets for two decades, concluded that there is not much wrong with the way the markets are currently run. In the process, though, it may have skated over some of the structural questions worrying participants.

At first sight, there seems to be little wrong with the way the US stockmarket is operating. The volume of shares traded across the country is far higher than in the initial trading frenzy which seized financial markets in the mid-1980s. On the NYSE, the number of shares traded in 1993 crept back above the previous 1987 peak of 52bn; last year it soared to 67bn and shares worth \$2,250bn changed hands. The brokers, dealers and

The price of a share in the cake

Richard Waters asks if structural problems in the US stock market are being obscured

trading systems which act as intermediaries to this activity have reaped the benefits. Whether in the form of trading fees, dealing spreads (the difference between the bid and ask prices) or commissions (big institutions usually pay 10 cents a share), their income has been surging ahead, along with the volume of trading.

Competition - particularly technology - has increased opportunities for automating large parts of the share-trading business. Technology has blurred the distinction between broker/dealers and trading systems. Some of the private automated systems are owned by securities houses - for instance by CS First Boston in New York.

But the argument of the critics is that the competition is threatening the integrity of the US stock market.

Certainly, some of the methods used by dealers and trading systems to win business may be at the expense of customers. One way to attract more orders is to pay the person who brings them to you. Some dealers pay a cent or two a share to get orders put business their way (known as "payment for order flow"). Another way is to refund part of an institutional investor's commissions by supplying him with equipment such as Reuters screens or other services (known in the US as "soft dollars", and in the UK as "soft commissions").

This is the "soft dollar" refund run at more than \$1bn a year. As the commission pie keeps getting bigger, more and more people are trying to cut out a slice.

Such practices raise serious questions about whether inducements to a broker or institutional investor's duty to get the best deal for their customers. However, the SEC, in its report last week, seemed to be satisfied - provided there is full disclosure of the practices. It said that the SEC should not be banned. But it is planning to



forward new regulations this year to force the release of more information about such arrangements.

However, automated trading systems, such as the Arizona Stock Exchange, have other ways of attracting business.

The report may have skated over some of the questions worrying participants

They allow buyers and sellers of shares to deal directly with each other, avoiding the dealer's spread. To the extent that it has brought down the cost of trading and forced established markets to improve their services, this has benefited investors. Though the NYSE is worried about the impact on its business, the SEC concluded that fledgling new markets

should be nurtured with a light regulatory touch and, if anything, given greater opportunities to compete with the primary markets.

The SEC has, however, not assuaged a far-reaching fear of established players in the US stock market: that if the volume of share trading is divided among an increasing number of arenas, the efficiency of the market will eventually be undermined. Trading on the NYSE still determines the price of, say, IBM shares. Other markets take its price as a reference when handling trades. But if many of the orders to buy or sell IBM shares never reach the NYSE, its effectiveness in setting the most appropriate price will be lessened.

So far, the extent of the fragmentation is limited, though use of private trading systems is growing fast - the volume of shares traded on them rose by 60 per cent in 1992 and then

doubled again last year. They still account for only a small fraction of the total: 1.4 per cent of trading in NYSE stocks last year, and 13 per cent of Nasdaq stocks. The NYSE still handles 79 per cent of the trade in the shares it lists, and customers are generally happy with the service. "I like the NYSE - it's a fine auction market and costs are OK," says Mr George Pirone, head trader at mutual funds group Dreyfus.

At the same time, the NYSE has itself encouraged the fragmentation of markets. Half of its trading (up from 17 per cent 20 years ago) does not take place on the exchange's floor at all but is carried out by big securities firms who match buy and sell orders from their own customers, or who take big blocks of shares from sellers and parcel them out to other investors. These trades only nominally "cross" on the floor of the exchange.

One way to overcome the potential problems of fragmentation as the US stock market expands, is through linkages. Some electronic links already exist: the ITS, a link between the US's seven exchanges, Nasdaq and the Chicago Board Options Exchange, handles about 10 per cent of trading in NYSE shares.

To reinforce such safeguards, the SEC last week proposed rule changes which would go some way towards forcing a greater dispersal of information within the US stock market about possible orders from buyers and sellers of shares.

But while the commission wants to give the stock market a nudge towards a more open, competitive trading environment, the tone of its report leaves it unclear how hard it will push for reform. Changes will, in part, require amendments to the "primary" exchanges' own rules. It is not yet evident how willing they will be to make such adjustments - nor how much pressure the SEC will try to exert on them to do so.

In expressing a desire not to disturb what it calls the "carefully maintained equilibrium" in the markets, the SEC may have avoided antagonising many of the middlemen who make a living out of trading shares. But the SEC may have missed an opportunity to establish a framework to cope with the upheavals in market structure that competition and technological advances - and perhaps a future downturn in the volume of transactions - will bring.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No way to behave

From Mr Kees J. Kempenaar.
Sir, Richard Gourey's otherwise excellent guide to recovery for survivors of the recession (Management: The Growing Business, January) contains a lamentable anachronism. The only way "to be able to turn round in the minutes and two fingers up" represents precisely the opposite of what is likely to extinguish the improved prospects.

We all have customers. What is called for from suppliers is to take the lead in developing healthy and commercially sustainable partnerships with their customers. This requires dedication to foster trust, and a mutual understanding of requirements and ambitions.

Fingers should be put to work, not stuck up at customers.
Kees J. Kempenaar,
Calle Avila 77,
Valldorret,
08190-Sant Cugat,
Barcelona, Spain

Time for more circumspection

From Dr George M. Georgiou.
Sir, It is a bit late in the day for Joe Rogaly to shed crocodile tears ("It is a moral issue", January 13). His apparent revulsion at the vulgar materialism resulting from 14 years of Thatcherism and the concomitant lack of morality in British politics would have been more convincing had he been more critical attitude towards the Tories throughout the 1980s.

Mr Rogaly is lucky. With the benefit of hindsight he can take the moral high ground without the loss of his job. However, no amount of preaching will eradicate the misery of the millions whose misfortune it was to be guinea pigs in a 14-year experiment in naive laissez faire economics. I hope Mr Rogaly will not hesitate to use his column to be more circumspect when the Tories begin expounding their zealous conversion to whatever economic religion they discover from books written long, long ago.
George Georgiou,
7 Patroklos Kokkinou,
Flat 21, Nicosia, Cyprus

Now some aid for UK science

From Dr E G Nisbet.
Sir, As a scientist, I would like to express my thanks to the former chancellor and to the Bank of England for their sterling support of science in the former Soviet Union. A significant chunk of their spending to support the pound last year was, I gather, channelled via the generosity of Mr George Soros to this purpose. Over the past month or so my colleagues and I have been deluged with requests from the International Science Foundation to review research proposals, many excellent, from science groups in the former Soviet states.

These proposals are typically tightly budgeted requests for modest sums, to carry out first-rate science, in cost-effective

nesses this is probably the best aid yet given to the former Soviet states. By providing the scientific morale of eastern Europe, it does far more than an opera house of bankers for reconstruction and development. Perhaps the former chancellor will sing some more during his absolutions.

The present chancellor might even consider similar aid to UK science. Here, research is at present mostly carried out by harassed post-doctoral fellows on short-term contracts and with no prospects.

Those who are lucky enough to have jobs as lecturers and professors are too busy responding to quality audits, selectivity exercises and other

regime of accountability and control (something not suffered by our colleagues in the west). At my college, they closed chemistry recently for lack of interest. At an annual salary of £17,000 for a bright young lecturer, with an Oxbridge first, a doctorate and post-doctoral experience, or £20,000 for a high-flying 45-year-old professor (no cars, no fringe benefits), a slight diversion of the £20bn mortgage money to aid science would go far to aid the UK's recovery. It is too much to ask for a line off the M25, but could we at least have a hard shoulder?
E G Nisbet,
Holly Cottage,
Middle Hill,
Englefield Green,
Surrey TW20 0JP

Different pay deals for Channel train drivers

From Mr L. L. L.

Sir, Due to a misunderstanding, your report, "Aslef wins 30 per cent pay rise for Channel train drivers" (January 13) confused the agreements reached by my union.

Annual salaries of between £20,500 and £25,000 have been agreed for 55 Eurostar drivers working for the BR subsidiary, European Passenger Services. They will take passengers from Waterloo International through the Channel Tunnel to Paris and Brussels.

A separate deal has been reached with Railfreight Distribution under which drivers of freight trains will receive a tunnel allowance of £90 a week, plus the usual driver only allowance, on top of their BR basic weekly wage of £210. They will take trains through the tunnel as far as

the terminal in Calais. We anticipate that such drivers will be able to earn about £400 a week in total.

Aslef publicised these agreements, which compare with drivers' current average earnings across British Rail of about £18,000, to show that we intend to negotiate the best possible settlements for our members. Last year's Aslef conference accepted that we may not be able to keep all drivers on a uniform rate of pay nationwide when we face the possibility of having to talk to some 41 different train operating companies under the privatisation plans.

Levi Adams,
general secretary,
Associated Society of Locomotive Engineers and Firemen,
9 Arkwright Road,
London NW3 6AB

Hitch in flight to Cyprus outside airline's control

From A. Demetrios.

Sir, We refer to Mr Skapinker's article (Business Travel: "Long day's journey", January 10) regarding the disruption to British Airways' flight from Heathrow on December 27 1993 and Cyprus Airways' flight from Heathrow on December 28 1993, as a result of civil servants' strike in Cyprus.

This lightning strike

occurred on a bank holiday late in the evening and there was insufficient notice. Cyprus Airways and British Airways, (which act as the handling agents of Cyprus Airways), the two affected airlines flying from London Heathrow to Cyprus, followed the same policy for their passengers. Although the strike was outside our control and the airline is not liable, we would like to

apologise to Mr Skapinker and indeed to all of our customers for any inconvenience caused and assure them of our best attention when they next fly with us.

A Demetrios,
regional manager,
northern Europe,
Cyprus Airways,
Euston Centre,
29/31 Hampstead Road,
London NW1 3JA

Acquisition of

.A.S.A. Abfall Service Holding AG

(a leader in the Austrian waste sector)

by

TIRU SA and SDS SA

(part of the Electricité de France Group)

Purchaser advised by

Price Waterhouse
Corporate Finance



Paris
Tour AIG
34 Place Corolles
92091 Paris La Défense (Courbevoie)

Vienna
Prinz Eugenstrasse
72, A-1040 Vienna

Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 555555 Fax: 071-407 2700

Monday January 31 1994

China and the Gatt

Napoleon once advised the world to let the Chinese giant sleep since "when he wakes he will move the world". By now it is too late. The question for the world is how to respond to the quake. On balance, the best choice is to negotiate a rapid market-oriented development of the Chinese economy. One implication is that China should be accepted into the World Trade Organisation.

There is no denying, however, that China presents problems. The country has three inhabitants for every two in Western Europe, North America and Japan. It has a growth rate of nine per cent a year compared with one per cent in the West. It also brings together a powerful comparative advantage in labour-intensive manufactures and easy access to capital and skills. On the minus side, its economy continues to be distorted by the legacy of planning and controls.

but not least, China is a corrupt despotism. The notion of China as an economic miracle under anything like the present regime is bound to be a mirage. But rapid export-oriented industrialisation is likely to create strong pressures for political change in China, as it has in other Asian countries. This is why the west should focus its attention on sustaining market-oriented reforms. China's application to join (or, as it would appear, rejoin) the GATT presents an opportunity for achieving just that.

Urgency

The GATT working party on China's membership was established in 1992. But the Tiananmen Square massacre and the Uruguay round put these discussions largely on hold. Now a degree of urgency has been injected into the negotiations, partly because this is an important piece of unfinished business and partly because China is assured of becoming a leading member of the primary world trade organisation only if the negotiations on GATT membership are completed this year. Otherwise, there would have to be new negotiations over China's accession to the WTO.

China would like GATT entry on standard conditions, meaning of

tariff concessions alone. Other GATT contracting parties want special provisions, including a safeguard clause, a special procedure for review of the reforms and greater transparency in the policy regime.

Meanwhile, the US is making the grant of most favoured nation treatment, itself the most fundamental GATT principle, hostage to improvements in human rights. Technically, it would be possible to combine GATT membership with such bilateral conditions. But they would render membership largely meaningless, since the US would not be in a secure contractual relationship with China.

Economic dialogue

There are good reasons, however, for the US to modify its approach. Withdrawal of MFN treatment would be economically damaging to the US itself. It would also harm the economic dialogue begun by President Clinton at the Asia Pacific Economic Co-operation (APEC) forum in Seattle last November. Bilateral provisions designed to secure Beijing and other concessions have been shown not to be the most effective way to secure political change in China. GATT, by contrast, offers a long-term but still powerful multilateral framework for improving China's economic policies in a more market-oriented direction.

China's membership of the GATT should therefore be accepted, but subject to a safeguards regime that could be modulated to the state of economic reform. This would bring China into what is expected to become one of the most important bodies in the global economy, as well as the country's size and potential. Some will argue that China cannot be a GATT member in good standing, because it would be politically impossible to offer equal treatment to imports from so large a non-market economy. That is an argument not against membership, but in favour of national autonomy.

The west cannot ignore gross violations of human rights in its relations with China, or any other country. But its trade relations should focus on the policies that affect trade. If trade and human rights issues move in the right direction, the policies will follow.

Reforming the welfare state

The cost of the welfare state is one of the most challenging policy issues facing the world's leading economies. Increases in welfare spending have been a significant factor in the budget deficits which burden almost all the 24 states in the Organisation for Economic Co-operation and Development. As the UK government's learning failure to control such spending leads eventually to the political odium that accompanies higher taxes.

Demographic trends mean that reform cannot be long delayed. The number of people over 65 in OECD countries will almost double by 2050. At the same time, birth rates mean that there will be fewer people of working age. In 1990, there were five people of working age for every one over 65. By 2050, there will be three. This means that the burden of welfare costs will fall on a shrinking band of people at work. They are unlikely to find acceptable increases in taxes needed to pay the bill.

The techniques being deployed across the developed world to control welfare costs vary according to national circumstance. But in the FT's series on welfare state reform around the world, which continues on the opposite page today, it has been possible to discern some common themes.

One is a greater emphasis on persuading individuals to make their own provision. In the UK, persuasion is open, with incentives to take out personal pension schemes. In other European countries, such as Germany, state pension benefits have been reduced, encouraging individuals to save more for themselves. Public welfare spending will inevitably fall as a larger share of national income is saved in more for their retirement.

Part-time work

A second theme is reform of the labour market to make effective working life. One way is to encourage more opportunities for part-time work for older people and those with home responsibilities. This requires looser regulations. Another is to raise the retirement age so that individuals may work as long as they wish, and continue paying taxes longer to

support the welfare state. In the current recession, employers often prefer older workers because they are more likely to have pension rights to reduce their staff. But demographic pressure will soon require them to retain their older staff for as long as possible. Thirdly, more changes will also come to play a greater role in welfare services, particularly in health. Such changes are likely to involve responsibility being given to providing an incentive not to work. And as in President Clinton's health reforms, asking patients to share the cost of treatment can encourage them to exert downward pressure on charges.

Safety net

In making them part of reforms, the nature of the welfare state will inevitably change. No longer will the aim be to support citizens "from the cradle to the grave". Instead, the welfare state will become more of a safety net which helps those who are unable to provide for themselves. This withdrawal of the state in favour of individual provision should be seen as a natural step in societies which are becoming more affluent and more choosy.

However, it is in recognising that the welfare system does not reduce the efficiency of labour markets that the greatest challenges are faced. There is an inexorable decline in opportunities for full-time unskilled labour and a growing demand for part-time and flexible workers. Participation in this changing labour market can be discouraged if the withdrawal of means-tested benefits creates a poverty trap with very high effective tax rates.

Funding ways to ensure that this does not happen is not only the key to avoiding welfare dependency. It is at the heart of the economic success which is necessary to underpin any form of welfare state.

When Boehringer Mannheim, the German healthcare company with sales of \$1.5bn a year, realised how much it was losing in German drug spending would drop, it decided to move its headquarters of the pharmaceutical division on the Rhine to Connecticut in the US.

Mr Mark McEneaney, chief operating officer, is determined to see the company's profits in Germany by April. "Operating profits in Germany fell by 20 per cent in the first half of last year. We have to reduce costs. This move will save money." About 1,500 of the 3,600 jobs on the company's German payroll will be cut as a result of the move.

Emigration may not be on every European drug company's agenda. But Boehringer Mannheim is making some tough decisions in response to cuts in spending on drugs by governments in the UK, Germany, Italy, Spain and the UK. Three years earlier, the figure was \$36bn, in real terms.

But recession has blunted both the will and ability of governments to cut the bill. Moreover, a combination of pressures has led to a reappraisal of the basic principle of universal provision on which most of the European welfare state systems have been based.

In an effort to control costs, Germany has cut the national health drugs spending from DM26bn (\$10bn) in 1982 to DM12bn (\$5bn) this month. The number of drugs eligible for subsidy, saying it wanted to cut the national drugs bill by 20 per cent. The French government last week agreed a deal with drug industry representatives that will cut the growth in drug sales from more than 8 per cent a year to 3 per cent, according to Goldman Sachs, the securities house. Last year, the UK government imposed a 5 per cent cut on the prices of drugs the NHS buys. And Spain is considering toughening controls on drug prices.

The effect has been startling. Growth in pharmaceutical sales in Europe, which averaged 11 per cent a year from 1987 to 1992, fell to just over 2 per cent in 1992 and zero last year, according to Lehman

Daniel Green on the strategies adopted by European drug companies to cope with cuts in state spending

Sweeteners for a bitter pill

Brothers, the stockbroker.

The impact on corporate profits will be apparent in coming years as the results season for European pharmaceutical companies under way. An indication of what lies in store came last week when full-year results from Boehringer Mannheim showed 7 per cent sales growth in the US but only 1 per cent in Europe.

With the impact of reforms in the UK, Italy and France still to be felt, and with further price controls likely in Spain and Germany, drug industry executives have not waited for profit figures before taking action. What they are doing varies by company and country, but there are four themes.

First, they are cutting payrolls and closing sites to reduce operating costs. In Germany, Hoechst is eliminating more than 20 per cent of its 1,400 jobs at its pharmaceutical division.

Bayer, whose profits in drug sales in Germany fell the first nine months of 1992 were down 50 per cent on the same period a year earlier, plans to cut almost 30 per cent of its 1,100-strong pharmaceutical marketing division.

The company is also being by the UK to cut its chemicals operations. "I cannot rule out targeted job cuts in 1993, but it will not be on the level seen so far," said Mr Manfred Schneider, chairman, last week.

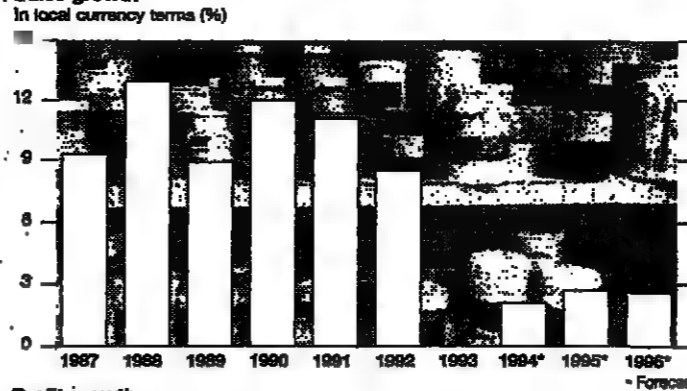
Glaxo, the UK's largest drug company, is cutting about 1,000 jobs in Germany and Italy. And France last week said it would cut 1,000 jobs, and partially close its largest plant - at Châtenay-Malabry in Châtenay-Malabry in the Paris area.

Other companies have closed plants. Wellcome of the UK, for example, has shut one in Belgium and another in the UK.

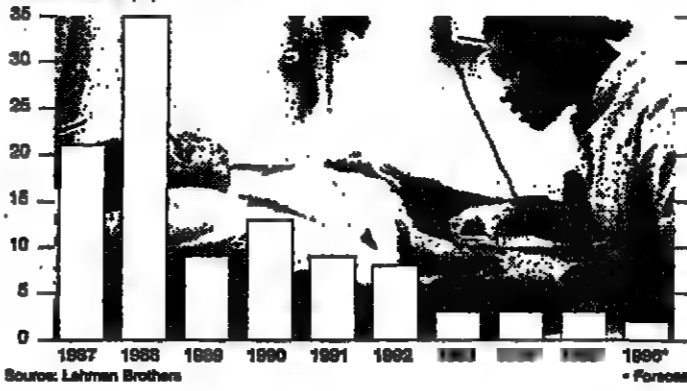
Meanwhile, Boehringer Mannheim is reorganising its entire pharmaceutical manufacturing operations in France, Spain, Italy and Belgium at a cost of \$725m (\$214.1m). The plan involves closing general-purpose plants and replacing them with large specialist centres. The company intends to close, by summer 1994, two multi-product sites in France and others in Spain, Italy

European drugs market: a turn for the

Sales growth in local currency terms (%)



Profit growth in dollar terms (%)



Source: Lehman Brothers

and Belgium, and replace them with new plants in France, Spain and Italy, each of which will specialise in particular products. The programme is only half complete, but Ciba is already claiming production cost savings of 30 per cent.

Second, pharmaceutical executives are responding to pressure by developing new marketing strategies. The objectives are to promote drugs which governments pay for and to focus on hospitals or doctors, with the greatest buying power.

Swiss company Sandoz is one company taking this approach. "We will promote products which are least affected by the healthcare reforms," says Mr Hans Baslerocher, chairman of Sandoz's pharmaceutical division. Products least affected

are usually those that are unique and have little competition. Spending on its drugs Sandimmune, used in organ transplants, and Clozaril, used to treat schizophrenia, has emerged relatively unaffected from healthcare reforms.

Third, industry executives are redirecting research and development - away from programmes producing "me-too" drugs, which grab a small slice of the medicinal market in a particular treatment, towards programmes likely to produce high-selling drugs.

In the UK, Italy and Germany, only a handful of products in each therapeutic area is being given official funding by the state. Others are ignored. "Nobody is even going to develop

the 10th beta-blocker (a heart treatment) in the hope of getting a few per cent of that market," says Mr Leventhal, Boehringer Mannheim's central product management. "Governments just want to reimburse it."

There is a corresponding emphasis on genuine innovation, which offers the possibility of niche markets or even monopoly products. Boehringer Mannheim is following this route. "We have reduced headcount and are focusing on fewer areas of R & D," says Mr McDade.

Another option is to bolster generic - drug - patents have expired (usually after 17 years). Competition means prices are low, making them attractive to government health administrations.

Finally, European drug companies are seeking alliances with counterparts elsewhere, notably in the US, to import expertise in control, research and management of generic products.

Last October, Hoechst paid \$1.5bn for a 51 per cent stake in US generics company Copley. The company's first North American corporate deal. Moreover, Glaxo and Wellcome last week signed deals with the US drug company Warner-Lambert to sell generic products internationally.

Last week, Bayer said it was in the final stages of negotiating an alliance with a US generics company.

Glaxo now has deals with no less than 11 small biotechnology companies, mainly in the US, while Sandoz has more than 30 such deals.

For Mr McEneaney of Boehringer Mannheim, the strategy now is simple. "We are going to build collaborations. We are not going to build and mortar any more."

These moves to create a leaner European pharmaceutical industry may, however, be inadequate. Government anxiety about escalating healthcare costs looks set to spread to more European countries.

Privately, and sometimes publicly, industry executives acknowledge they could do more. "Every drug company has to cut," says Mr Patrick Egan, Glaxo chairman.

Ciba's Mr Schneider adds the industry's past profitability cannot be a reason for complacency. "Production costs have in the past not been a significant consideration. One key to success now will be production efficiency."

There is still resistance to drug price controls within the industry. The European Commission is pushing for national drug pricing controls to contradict the spirit of the single market. The governments are bound to try to control costs. Pharmaceutical companies, it seems, must be prepared to restructure.

Odd man out in global welfare state

In the White House "war room" aides reportedly punched the air with their fists. The cause of the excitement? President Bill Clinton had just taken one of the boldest steps in his political career. In his State of the Union address, he urged his Congress and threatened to win any legislative battle that did not guarantee insurance coverage for all Americans.

The incident is a reminder that policies (such as universal health cover) taken for granted for decades elsewhere remain controversial in the US. In Europe, the political challenge is to find ways of easing the crushing financial burden imposed on public sector by long-established "cradle-to-grave" welfare states. There is little chance for extending government services; the quest is rather for politically acceptable cuts in public provision.

The US, by contrast, is still in the building phase. In addition to providing health cover for its citizens, Americans are being envisaged as a larger government role in health care. It wants to replace a passive unemployment insurance

system with an active "re-employment service" of the kind pioneered in Sweden. But this simply means that public agencies would assess workers' skills, retrain and provide assistance in job search. As with health care reform, this is part of a broader effort to restore a sense of personal security.

An extension of the US welfare state is feasible only because social policy has been so circumscribed in the past. Americans grumble about high taxes, but their fiscal burden is still relatively small. Total gross spending accounts for only 20 per cent of gross domestic product against an average of 52 per cent in Europe. Public spending is under 10 per cent of GDP in the US, compared with 15 per cent in Europe. The US does not have a universal health insurance system (the majority of Americans still get health insurance through private employers) and because it never entirely lost touch with the 19th century ideal of self-help.

Most Americans accept that a safety net for children, the elderly and the disabled - the "deserving poor" - is essential. But the concept of "income support" for anybody who falls on hard times remains alien in the culture. Unemployment insurance lasts only six weeks (except during recessions); there is



MICHAEL PROWSE
ON AMERICA

single adults are on their own. Welfare support is restricted mainly to families with children, usually those headed by single parents.

Public debate about social policy, however, is strangely muted. Querying the vast sums lavished on the elderly - including well-to-do senior citizens - has become politically taboo. There is virtually no discussion of the Social Security, the federally run pension system that costs taxpayers \$300bn a year. Nobody is remotely concerned by national reports showing that 10 million people are on welfare, that 10 million are insolvent early in the new century, and baby-boomers start retiring.

Pundits are instead driving them into a frenzy over welfare

support for inner city families, a financially insignificant component of the US welfare state that threatens to undermine the health care system. Total spending on Aid for Families with Dependent Children, the main welfare prop, is only about a year, or about two per cent of the federal budget. The average payment under the programme is a princely \$70 a month, little more than half the level 20 years ago after allowing for inflation.

Welfare touches a nerve, however, because it is widely regarded as having contributed to a long list of chronic social problems, including sharply rising illegitimacy rates, teenage crime and drug abuse. Even receptive to public opinion, Mr Clinton has promised to cut the "culture of dependency" by unveiling tough welfare reforms this spring. He plans to build on the 1988 Family Support Act, which introduced a limited form of "workfare," by setting a strict time limit on welfare cheques.

The hope is that most welfare recipients would be placed in private sector jobs before their time limit expires; the remainder would be required to perform community work. This, at least, is the theory although many experts doubt that it can be realised. It would require

heavy investment in training and research the creation of perhaps an additional 1.5m public sector jobs, which would hardly further the administration's objective of "re-inventing" government by reducing bureaucracy.

In urging Congress to enact reforms of healthcare, welfare, and job training - to mention criminal sentencing policy - Mr Clinton is emerging as the most socially active president since Lyndon Johnson. But whether he will succeed in significantly reshaping social policy remains uncertain.

If Mr Clinton delivers a guarantee of universal health care, it is likely to be phased in over many years. And the pace of government will certainly end up more restricted than envisaged in the original welfare state plan. In the longer run, America's welfare state is likely to remain lean, patchy and relatively inexpensive by world standards - despite Mr Clinton's activist agenda.

This is the last in a series analysing the welfare state in different countries. In 1994, we will look at the welfare state in the UK. For details, contact John White, Marketing Department, Financial Times, on 071-873 3000.

Wrong sort of wax

■ The Britain's recently married Labour minister, Nicholas Soames, raised his eyebrows at the sight of a regulation about mineral hydrocarbons bubbling in the surface in Scotland's department and are causing a bit of a stir amongst his colleagues in the landed gentry.

It is a long time since long been concerned about the harmful effects of these compounds in Scotland. The plan is to ban almost all of them, but to be selective to permit their use in deaerating waterfowl, coating steel and in chewing gum. All fine and dandy, except that the only two kinds of mineral hydrocarbon allowed - high melting point microcrystalline wax and high sulphur microcrystalline wax - are not, according to those who are supposed to know, remotely suitable for the aforementioned purposes.

England and Wales, has decided to stop publishing for reasons of space. The names of the knuckle-rapped by the disciplinary committee. Unless "misconduct" in large numbers, "misconduct" for minor misdemeanours will no longer even be hidden in small print at the back of the magazine.

Quislings

■ Hope that Alan Soames and his team of Ministers International, poised as they are to be the Magnet business, was better prepared for today's "discovery" meeting to agree the deal, than they were when quizzed last week.

Observer heard that whilst Soames's top team might be good at financial figuring, it is a bit short on general knowledge, judging by his performance as a corporate quiz night organised by headhunters. William Soames last Thursday fielded his top team of chief executive Alan Soames, Denis Mulholland, director, and company secretary, Barry O'Connor, rather than a bunch of unknowns from a personnel department.

Cover-up

■ Pundits signs that the accountancy profession is beginning to buckle under the strain of the many members breaking law many regulations. Accountancy magazine, the official organ of the Institute of Chartered Accountants in

OBSERVER



"I haven't got mad cow disease - I'm evil"

miles with his car. Alan Soames had correctly identified a picture of Caernarvon Castle, only to be over-ruled by his company secretary. Soames's position in the place was inviolable.

Aiming low

■ LWT is resorting to some hard-hitting copy in its latest take control of LWT. Its latest circular contains "10 ways LWT would rather you didn't know..."

That's the kind of witless trick Kelvin Macdonald used to pull when he was editing The Sun. Britain's second daily tabloid. Come to think of it isn't Macdonald in the LWT camp these days by virtue of his new job managing British Sky Broadcasting, partly-owned by Granada?

Granada insists that the 10 facts about LWT were all its own work and not a straight lift from The Sun's editorial style book. Fortunately for LWT, Granada's knocking over is bound by the rules of the Takeover Panel rather than the Press Complaints Commission.

No show Willie

■ Five minutes after moving in London on the Bank of England's takeover following HSBC's takeover of Midland, Sir William Marlowe is hardly a familiar part of the City scenery. But his determination to maintain a low profile has new heights this month. He is not going to turn up at his own bank's monthly presentation at the headquarters.

Sir William has opted to present the results in Hong Kong, leaving the takeover in London to John Bond, chief executive. All perfectly given that Marlowe has a slightly higher capitalisation on the Hong Kong exchange than in London. But perhaps rather telling

about the city in which he holds a comfortable, central bank formalities.

Rate for the job

■ Michael reports that MPs are threatening to boycott the BBC because it has stopped paying them for their TV and radio appearances. A bit late of the mark. After all the BBC's new policy has been in place for almost a year and it doesn't seem to have led to any drop in the number of MPs wanting to grab the BBC microphones. It's surprising that the BBC did not call the MPs' bluff earlier. Only a few mavericks, such as former Labour minister Alan Clark, refuse to be taken in and there's not enough money on the table.

Mudslinger

■ Field Walton, the former Labour minister and prop-forward for Manchester United, has taken over as chairman of Manchester United's new football club, the Manchester United Football Club. He is the right man for the job, given that he is a local mud-slinger, a local wrestling in mud with a pig. You think it's all pretty ghastly - then you find the pig's enjoying it.

South Africa comes closer to ethnic conflict Inkatha and white right defiant on all-race poll

By Patti Waldmeir
in Umtata, KwaZulu

South Africa stepped closer to ethnic conflict at the weekend as black and white right-wing groups defied their opponents in April's all-race elections, increasing the pressure on government and the African National Congress to accept their views.

Both the mainly Zulu Inkatha Freedom Party and the white National Front (Afrikaner People's Front) are participating in the poll until after today's planned talks with the ANC and government.

But supporters from both organisations, meeting at separate conferences, have rejected the elections. Militant AVF supporters forced Gen Constand Viljoen, the AVF leader, to leave the stage when he proposed a gathering of 10,000 Afrikaners in Pretoria that they should vote in the April 1994 elections.

Viljoen, who has battled to find a negotiated settlement, was shouted down by an angry crowd

of supporters of the Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement). Ultra-militant AVF leader Eugene Wessels replaced him.

Wessels appealed to right-wing whites on Sunday to stand by their guns which could provoke violence in South Africa. Reuters reports from Rustenburg.

The African National Congress leader was speaking during a tour of the western Transvaal province, following a rally by right-wing Afrikaners on Saturday which demanded that violence remain an option in their quest for self-determination.

him at the podium. He told them that Afrikaners should vote only in a separate election for their own homeland, although moderate AVF leaders later came down this demand, calling for Afrikaners to vote on a separate ballot paper on the same day as the national election.

The National could undermine talks between the ANC and the AVF over a homeland: the out-

line deal struck between the two sides in recent weeks was put to the conference and rejected, raising doubts over whether Gen Viljoen could deliver in their constituency.

After the conference, in which the AVF declared symbolic independence from South Africa by electing its own interim president, the AVF called to rival the local Inkatha council, Gen Viljoen pleaded for flexibility from the ANC and government.

Both Gen Viljoen and Inkatha leader Mangosuthu Buthe clearly hope that widespread demonstrations of popular support for an election boycott will concentrate the minds of ANC leaders, who have failed to offer significant compromises to accommodate the right's demands for regional autonomy and "self-determination" of the Zulu and Afrikaner people.

Inkatha's conference in Umtata, the KwaZulu capital, yesterday adopted a resolution calling for further talks, but Gen Viljoen made clear that his party would boycott the poll unless constitutional changes were made.

Exclusive phone network for Saudi Royals

By Alan Cane

Saudi royal family has secretly commissioned a 10,000-line mobile telephone network for its exclusive use from Siemens, the German electronics giant. In doing so it has sought the approval of the Saudi authorities and has annexed frequencies earmarked for the country's public portable telephone service.

The network, which will be in only three weeks, was first unveiled for the December meeting of the Gulf Co-operation Council in Riyadh, where each delegate was presented, on arrival, with a portable GSM telephone. The standard has been adopted by European countries for the next generation of portable phones.

Siemens confirmed that the system had been constructed for the Royal Palace and that its technicians were extending the network to 30,000 lines covering Riyadh, Jeddah, Dammam and other Saudi Arabian cities.

Mr Helmut Muller, the German group's director of international sales for mobile networks, said the system was to be spread use of the system outside the Royal Family. The whole system would be completed by April.

He rejected suggestions that the network would cost between \$40m and \$50m but would not be drawn on the price. A 50,000 line system built for Kuwait cost \$30m, according to industry analysts, that suggests that if \$40m was close to the real price for the Saudi system then the royal family paid heavily for the speed and secrecy with which the system was constructed.

The royal network was uncovered last week by a journalist specialising in telecommunications. Mr Damian Peachey happened to switch on his mobile phone while staying in Jeddah and was puzzled to see a message on the screen that the network was live but he was forbidden to use it. He knew Saudi Arabia had no public mobile phone network, but the message suggested there must be a cellular radio system operating in Riyadh on the GSM standard.

Telecommunications, particularly mobile telephone systems, is a touchy subject in Saudi Arabia where the demand for mobile telephones is huge. There is a mobile network of sorts, based on obsolete analogue technology and extending to only 20,000 lines, 4,000 of which are reserved for the use of the Royal Family.

GSM, based on computer technology where messages are transmitted as a series of electronic pulses, is the technology of choice for the Gulf states. It allows users to "roam" freely and use their phones across national boundaries. Siemens has already installed GSM systems in Kuwait, the United Arab Emirates and Morocco.

THE LEX COLUMN

UAP breaks cover

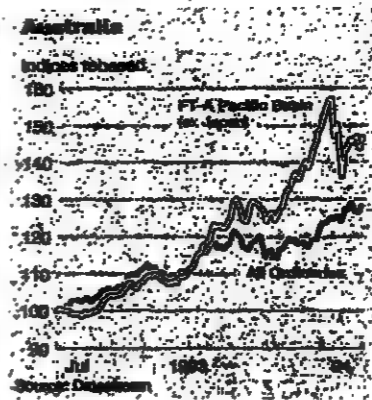
UAP has again cast its shadow across the boardrooms of UK insurers and set pulses racing in the equity market. Last week's comments by Mr Jacques Friedmann, UAP's new chairman, were not the first to spell out the company's ambition. A slice of the UK non-life insurance market would be a strategic fit with interests in continental Europe. While it is difficult to believe that UAP would be willing to launch a bid before its privatisation in the spring, an acquisition thereafter cannot be ruled out.

The small stake in Sun Alliance acquired last summer by Transatlantic, the investment company which UAP jointly controls with Liberty Life of South Africa, could provide a toehold. The remarkable performance of Transatlantic's shares in recent weeks up from 29p to 44p since early December - would be a promising foundation from which to raise additional capital. That said, UAP's partnership with Transatlantic was a convenient way of settling an uncomfortable rivalry with Liberty Life over the ownership of Sun Life. In the long term it might prefer full control of its investment.

But even if it were that UAP was getting good value by making a hostile bid for Sun Alliance, which is already trading at a substantial premium to net assets. A smaller, agreed deal might offer better value. Since UAP does not have to worry about upsetting UK insurance brokers, buying into the fast-growing direct insurance sector must be a tempting option. It is less clear that the owners of the three largest direct writers - Royal Bank of Scotland, Royal Insurance and Winterthur - would want to sell.

Australia

No one can accuse Australian equities of poor performance in 1993, their rise of around a third did lag the striking gains elsewhere in the Pacific rim. That raises the question of how the market will fare if international investors really tire of the funder markets such as Hong Kong. Part of the answer is that an end to the liquidity flows from the US and Japan which have bolstered south east Asian markets would certainly dull the prospects for Australia as well. But international investors are still underweight in Australia, where markets could fare relatively better. Going to date here, not left industrial issues particularly expensive in relation to expected earnings increases of some 25 per cent in



the current fiscal year. Resources issues could outperform if recovery in the industrial world brings the prospect of rising commodity prices.

Australia's long recession forced companies to cut costs to the point where they are markedly more competitive. That has helped to boost current output, but as a proportion of output, last year's deficit of some 3.5 per cent of GDP was the lowest since 1980 even though exports have not yet been boosted by rising commodity prices. With inflation still low, there is also some prospect of a stronger Australian dollar.

The biggest appeal should be Australia's resource-based economy. On past experience this should come into its own if a turnaround in both the Japanese and European economies brings synchronised recovery in the industrial world in 1994. Admittedly, coal prices remain depressed, but metals are already starting to attract attention, as the response to Mercury Asset Management's international mining fund showed. This argument still assumes, though, in stark contrast to the latest US GDP figures, that there can be no meaningful recovery without a spot of inflation in its train.

Trafalgar House

Today's action in the rumour of Trafalgar House's rights issue marks a departure for the London equity market, turning its back on the established system - whereby shares are placed with institutions at a discount to the market price - Swiss Bank Corporation has attracted brickbats. Such placings have long been a source of cheap stock for institutional investors and means of patronage for stockbrokers. As a relative newcomer to the Lon-

don market with a run of aggressive deals to its credit, Swiss Bank is already out of favour with corporate financiers of the old school. But if the auction results in shares being sold closer to the market price, Trafalgar's shareholders - even those who declined to take up their rights - stand to benefit. The main reason for caution in principle is that auctioning a very large rump of shares from a badly failed rights issue could arguably result in a more volatile market than the old softy-softy system. Since Trafalgar's share price has risen by more than 25 per cent in the last month, though, the rumour is likely to be modest. If that turns out to be the case, the proof of the pudding will be in the price.

Banking

A neat coincidence of timing brings Spain's government-sponsored rescue of Banesto at precisely the moment that Continental Bank, salvaged by a comparable US effort in 1984, disappears into the arms of BankAmerica. Since Banesto is also likely to be swallowed up, one lesson is that a fight for survival, even one as successful as Continental's, damages a bank's chances of remaining independent.

There is another lesson, too. Both Continental and BankAmerica came through their difficulties of the 1980s by focusing on the things they did best - nationwide corporate banking in Continental's case, regional retail banking in BankAmerica's.

In principle, the two together make a stronger, more diversified bank than either alone. In practice, unusual management determination may be needed to avoid a consequent loss of focus. And the knock-down price in relation to assets at which BankAmerica is acquiring Continental reflects the market's misgivings about the long-term profitability of wholesale banking.

Banesto should have some problems. Despite J.P. Morgan's cajoling, the old management had not steered Banesto to doing a few things well. The new managers probably have the inclination but they may not have the time; the rescue plan seems set to hand control to a rival in a matter of months. Selling the deposit guarantee scheme's stake so promptly risks crystallising losses at the low point of the bank's fortunes. Banesto shareholders, diluted by 75 per cent, may not be happy, but all Spanish bank depositors are likely to be losers, too.

Balladur unveils measures to boost economy and jobs

By John Riddling in Paris

Mr Edouard Balladur, the French prime minister, unveiled a package of measures designed to stimulate France's struggling economy and curb the rise in unemployment.

The measures are designed to encourage consumer spending, provide support to industries, including the motor industry, which have been badly hit by France's economic downturn. They also concern about an unemployment rate in excess of 13 per cent and a desire to strengthen the country's weak economic recovery.

The principal elements of the package, which was introduced by a budget bill targeted at FF300bn (\$50bn) this year, include an easing of the rules relating to employees' profit-sharing schemes.

Under the proposals, employees will be able to withdraw funds

from these schemes ahead of their usual five-year deposit period if they are used to buy cars or for housing-related expenditure. In addition, the national statistics office, INSEE, will be about FF200bn is currently held in such schemes.

The motor industry will receive additional assistance through an innovative scheme to give a FF75,000 allowance to motorists who trade in cars more than 10 years old and buy a new vehicle. This scheme appears to apply to all cars, irrespective of their country of origin.

Last year, car sales in France fell by 1.7 per cent to 1.72m, the lowest annual figure since the mid-1970s.

Mr Balladur, stressing that yesterday's measures did not mark a departure from existing economic policy, said additional plans to limit the rise in unemployment. Implementation of the govern-

ment's five-year employment plan, which was announced last year, will be accelerated. Companies and unions were urged to bring forward negotiations to discuss how to increase flexibility in working practices and to extend part-time work and training schemes.

In addition, the government said it would encourage employers to increase the number of service sector jobs.

Mr Balladur said the economy's performance was improving and confirmed the government's forecast of 1.4 per cent growth in gross domestic product this year after an estimated contraction of 0.5 per cent last year. But many private sector economists are more pessimistic. The 2.1 per cent decline in manufacturing spending on manufactured goods in the final quarter of last year has raised fears that economic activity declined as recovery in the July-September period.

Japan plans \$125bn stimulus package

Continued from p. 1

Kubota, director of the Economic Planning Agency, is also considering expanding an existing five-year programme of public works, worth ¥430,000bn, by former prime minister Kiichi Miyazawa, officials quoted in the press as saying. This package would be

the fourth and possibly largest pump-priming plan in 14 years. The previous three, worth a total of just over ¥300,000bn, have so far failed to stimulate growth, despite recent signs of a pickup in a few sectors.

The package, Mr Miyazawa will have evidence of attempts to stimulate domestic demand when he meets US Pres-

ident Bill Clinton in Washington on February 11.

US-Japanese trade relations have been strained by failure to agree on Washington measures that Tokyo should accept numerical targets for reducing its trade surplus. The Japanese government has said Mr Clinton is expected to use the meeting to break down.

FT WEATHER GUIDE

Europe today

A storm moving from Scandinavia to Russia will bring widespread snow to Finland, the Baltic States and Russia, and strong winds of 100 kph in its wake, a cold north-westerly flow will keep temperatures below normal from Denmark to Bulgaria. An active low pressure system approaching Iceland will draw warmer air over the British Isles, while associated rain will affect Ireland and Scotland. Meanwhile, high pressure centred near the Azores will extend to northern France, bringing mainly sunny and mild conditions to the rest of Europe. Temperatures will be above 15C on Spanish coasts despite some morning frost. The eastern seaboard will have a final day of showery and windy weather.

Five-day forecast

Tuesday will be settled and mainly sunny over large areas of Europe although the UK will be very rainy and windy. The rain, followed by cooler conditions and showers, will affect all Atlantic seaboard countries from Wednesday. Conditions will stay unsettled. The eastern Mediterranean will be mainly dry and sunny from Wednesday with temperatures above 15C.

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Madrid	10	Cardiff	8	Frankfurt	10	Moscow	-10
Abu Dhabi	25	Chicago	10	Geneva	8	Manchester	8
Accra	25	Berlin	10	Ottawa	-10	Paris	10
Algiers	15	Bombay	25	Seoul	-10	Rome	10
Amsterdam	10	Singapore	25	Tokyo	10	Sao Paulo	20
Athens	15	Calcutta	25	Ulaanbaatar	-10	Sydney	20
Bahia	25	Colombo	25	Wellington	10	Toronto	-10
Bangkok	25	Dubai	25	Yokohama	10		
Batavia	25	Hong Kong	25				
Beijing	10	London	10				
		Luxembourg	10				
		Lyon	10				
		Nairobi	20				
		Reykjavik	10				
		Stockholm	10				
		Taipei	20				
		Tel Aviv	20				
		Ulaanbaatar	-10				
		Vancouver	10				
		Warsaw	10				
		Wellington	10				
		Yokohama	10				

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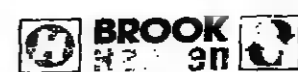
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FINANCIAL TIMES COMPANIES & MARKETS

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Monday January 31 1994



Controllers, Electric Motors, Gearboxes

Groups examine Ferranti defence electronics arms

By David White and Paul Taylor in London

About eight companies from the UK, France and the US have emerged as serious candidates to take over the bulk of Ferranti International's defence electronics operations. Ferranti's administrative receivers have drawn up a short-list of companies which have expressed interest in acquiring 100 per cent or more of the collapsed group since early December when the General Electric company withdrew a 10-a-share plan. The list, compiled by Mr Murdoch McKillop and Mr John Talbot, the administrative receivers from Arthur Andersen, is understood to include GEC, British Aerospace, Thorn EMI and Thomson-CSF of France. The list of potential corporate purchasers is also believed to include the French defence concern and US companies.

NFC chiefs clash over culture

By Andrew Ross in London

An extraordinary clash between the chairman of NFC and his predecessor marked the annual general meeting of the UK-based transport and logistics group. About 1,110 shareholders led an employee buy-out in 1992, accuse his successor, Mr Peter Watson, of putting the group's traditional values at risk. Mr Peter particularly criticised the board's failure to seek shareholders' permission in advance of the group's £391m rights issue last month, which will dilute the proportion of equity held by employees.

management team in the equity finance in the group. The management/employee buy-out, as the management/employee element of a consortium bid in conjunction with a takeover from the UK or overseas. The Ministry of Defence would not stand in the way of either a corporate or a consortium bid and has indicated that it would not raise objection. However, in the event of a French bid it is likely that the MoD would seek a joint-venture solution with a British partner. Thomson-CSF already has a 50 per cent stake in the 50 per cent it does not already own in the profitable Ferranti-Thomson Systems UK joint venture, which is controlled by the receiver. It is believed to be close to a deal to sell the additional shareholding on to GEC.

seek permission from the people who have supported you all these years? Mr Watson said advance permission had been sought because of the possible adverse effect of a bid on NFC's share price, but added that the "continuing evolution" of the group posed any threat to its traditional values. On NFC's trading, Mr Peter Sherlock, chief executive, said there was encouraging evidence of a steady if unspectacular return to growth in the US and UK, although in mainland Europe. Overall revenue in the group's Logistics Division in the 11 weeks since October had grown 5 per cent compared with last year, the grocery and retail sector had started well, but the industrial sector remained difficult.

Banesto rescue plan agreed

By Tom Burns in Madrid

Banco Bilbao Vizcaya (BBV) and Banco Santander have emerged as the contenders to control Banesto, the Spanish banking group in which the authorities imposed a new management last month, according to a rescue plan agreed by the Bank of Spain and the private banking sector.

The plan will provisionally make the Deposit Guarantee Fund (FGD), which is headed by the Spanish banks, Banesto's chief shareholder by underwriting a Pta180bn (\$1.2bn) capital increase for the troubled bank.

Richard Waters explains BankAmerica's shift away from its California home. The midwest is about to become a second home. Friday's announcement of the planned \$1.9bn takeover of Chicago-based Continental Bank signals a big foray out of the home state of the US. It also signals a plan by the US's second biggest bank to shift its centre of gravity away from California, where it owns an estimated two thirds of its income.

Banesto is due to shrink dramatically in size prior to the FGD's capital increase. The bank will allocate all its Pta244bn reserves to provisions, raise an additional Pta99bn towards the financing requirement by reducing the par value of its individual shares from Pta100 to Pta25 and write down over Pta1.5bn Pta27bn in provisions.

BBV and Santander are singled out by analysts as the only possible strategic buyers of Banesto stock among the domestic institutions. Waters has officially declared an interest but both are understood to have spent the week-end assessing the rescue plan.

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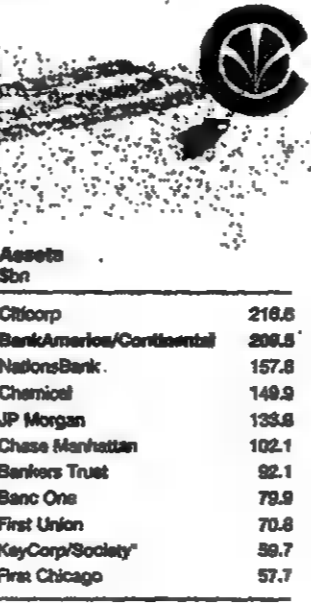
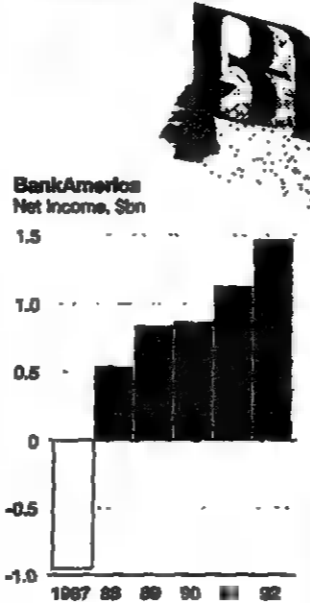
The governor, who removed Banesto's board on December 10, originally said Banesto had overvalued its assets by Pta1.5bn. Banesto's new management subsequently put the shortfall at Pta1.2bn before reducing it to Pta1.1bn.

If the plan goes ahead as agreed, the FGD will own some 75 per cent of Banesto's equity. The subsequent auction, which could take place in July, is likely to involve a transfer of shares representing between 20 and 30 per cent of the Banesto's share capital for a domestic institution.

Richard Waters explains BankAmerica's shift away from its California home

Westerner takes a shine to the rustbelt

Reaching across America



"around three times" Continental's total \$22bn, and its income from the bank at \$500m. Despite the size, the new BankAmerica operation will have a long way to go to rival banks like Citicorp and JP Morgan in the market for servicing big, internationally active companies. While Continental will bring its experience in trading in foreign exchange, derivatives and other trading markets, these trading operations are modest compared

with the New York trading banks. Also, BankAmerica has a weaker international network than its rivals: it drew 118 branches, in the late 1980s, and since then has been building up the prolonged slump in its home market in California and the long and arduous process of digesting Security Pacific, a rival cost bank that it bought two years ago.

Apart from the corporate customer base in the midwest, the bank has many subsidiaries for BankAmerica. For a start, Continental should prove relatively easy to absorb. "It's a much easier transaction than Security Pacific, since it's not based on cost savings," says Mr. Salomon Brothers.

America's shareholders. Continental's share had been trading at a discount to BankAmerica's share, but the premium, BankAmerica is paying only 1.2 times book value (most banks sell for 1.5 times book).

Perhaps for this reason, BankAmerica's share price on Friday did not show the part of weakness which has bedeviled the stocks of other acquisitive US banks of late, brought on by market fears that they are being forced to pay a high price to pursue their ambitions.

The agreement between the two banks contains a poison pill arrangement designed to deter any rivals from making unwanted bids for Continental. Such arrangements are becoming an increasingly familiar part of bank takeovers, which tend to be very attractive to BankAmerica will be hoping that no one else shares its views on just how attractive Continental can be.

Markets this week

Starting on page 20

MARTIN DICKSON: GLOBAL INVESTOR

The \$10bn takeover battle for Paramount Communications may reach a climax tomorrow, the date set for the final bid for the company. What are the implications of the battle for the global investor? Page 20

EDWARD BALLS: ECONOMIC EYE

The long-term challenge of tackling unemployment, and creating more high-wage jobs, is not easily understood, let alone solved. Finding corporate solutions to the problem is a longer-term task, but it is part of the solution. Page 20

Fixed income fund managers are preparing for the bear market as the global bond rally runs out of steam. Page 23

Equities: Good news on inflation in the US has brought a dramatic turnaround in UK securities and revived hopes of a base rate cut. Page 23

Emerging markets: The descent of Japanese equity prices, now in their fourth year of weakness, and the economic conditions, has made investors nervous about putting money into equities. Page 21

Currency markets will be awaiting the outcome of meetings to discuss monetary policy. Page 39

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This week: Company news

NEWS CORPORATION

Murdoch revival should be on the bottom line

Many questions have been aired about Rupert Murdoch's News Corporation recently, but the delivery of good bottom-line figures for the six months to end-December Thursday in much doubt. BSkyB, the satellite television venture, is likely to brighten the results. In December the satellite company had a monthly record by adding 1.1 million subscribers, bringing the total to around 3.3m. But the newspaper price cutting in the UK, while boosting sales of The Sun and The Times, is likely to cut around 10 per cent in the 1994 financial year. Many analysts think that after-tax earnings will be affected by the abnormal, could nudge above \$490m, compared with \$490m last year. However, progress is likely to be less marked. News actually had a small loss here in the three months, with a quarterly figure easing to \$412.2m from \$432.5m. Earnings from the newspaper interests were affected by the price war in the UK, while the smaller magazine and inserts division reported a 10 per cent profit drop. Analysts say this situation is unlikely to reverse in the dramatic fashion during the second quarter, although earnings from the film interests are expected to be strong. Indeed, the newspaper division's earnings will be further affected by the sale of a 34.9 per cent interest in South China Morning News in October. Macquarie Bank analysts talk of a very modest recovery for the half overall. The boost in net profit, say analysts, will come from falling interest charges from a rise in associated companies' profits - namely, News, the Australian carrier which News owns jointly with TNT, and BSkyB, News' 30 per cent-owned satellite broadcaster in the UK.

News Corp



(Pearson, publisher of the Financial Times, has an interest in BSkyB). Meanwhile, gossip about Murdoch's joint plans - said to involve a move into the "electronic superhighway" field - has eased off in the wake of the "super share" plan's failure.

A few analysts think News' interest in the subject has gone away, but it's a question of how to do it. Murdoch's Terry Povey of Securities is predicting a contribution to News Corp this year and next in 1995.

Retailing again main engine of growth

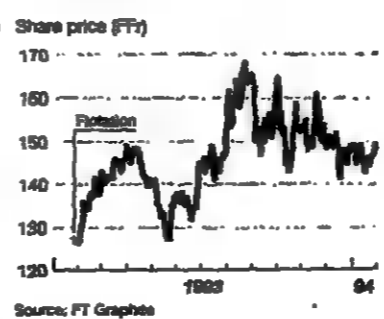
For the first time BAA, the airports operator, is to report quarterly results. Tomorrow it is to release figures for the first nine months of the year to March. Analysts shy of forecasting for the third quarter, but anticipate that full-year profits will fall between £232m and £235m. Again the main engine of growth is expected to be the retailing side, though improved productivity and cost-cutting throughout the group will have their impact. Watchers will be awaiting the group's reaction to the government's bid for a probe into the economic regulation of airports - currently overseen by the Civil Aviation Authority and the Monopolies and Mergers Commission.

OTHER COMPANIES

Moment of truth for Euro Disney prospects

The Euro Disney theme park in Paris on Wednesday is to announce the conclusions of the special investigative audit of the troubled leisure group's theme park that they commissioned from PricewaterhouseCoopers, the accountancy firm. The audit analyses the financial condition of Euro Disney and its future prospects as the park decides how to proceed in its negotiations to put together an offer to buy the park for the company. The meeting was originally scheduled for January 25 but was delayed. The park's board is to announce their negotiating strategy so that the talks can be concluded by the March 31 deadline imposed by Disney. The takeover battle for the park may finally reach a climax today, the deadline set by the company's board for best and final offers from rival bidders QVC Network and Viacom. The two have until 5 pm New York time to improve their cash-and-share tender offers, which will then be weighed in by the Paramount board. Investors will have until mid-month to make up their minds. Fiat, Italy's biggest private company, today reveal preliminary figures pointing to one of the biggest losses in its 85-year history. The information, in a letter to shareholders following a board meeting today, will offer a further insight into a devastating year for most of Europe's big manufacturers, which have been hit by lower demand in most

Rhône-Poulenc



markets and rising price competition. Though Fiat's full earnings figures and dividend will not be announced until May, the group is expected to provide figures indicating a pre-tax profit of more than £2,000m (\$1.17bn) on sales of almost £54,000m in 1993, excluding disposals. Rhône-Poulenc Borer, the pharmaceuticals division of Rhône-Poulenc, the French chemicals group which was privatised at the end of last year, will today announce its results for last year and its strategy for 1994. RPR achieved a 31 per cent rise in net profits to \$43m in 1993. But last year the group was confronted with a more difficult environment as many governments implemented healthcare reforms and measures to limit expenditure on drugs. Arabian Oil, Japan's largest oil group, is scheduled to report its results today. The company, which produces oil in Saudi Arabia and Kuwait, is expected to report sharply lower profits, thanks to weak domestic demand. The group is investing in China, Vietnam, and Mexico and China.

Companies in 1993

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January 1994



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Postel in mezzanine finance move

Mr Tom Bartlam, managing director of ICG, said mezzanine finance could increase gearing and therefore helped management buy-out teams pay higher prices. But he did not think there would be a return to the highly leveraged buy-outs of the late 1980s.

Tring flotation go-ahead

Latin American Ties for £100m

The launch will be sponsored by James Capel and the trust is to be targeted at institutions and "sophisticated" private investors, will be managed by Morgan Grenfell Trust along the same lines as MG's existing Latin American offshore fund.

The trust will be managed by Mr Alan Nesbitt.

Re-energising Magnet

Merger terms put £15m tag on Europa Minerals

Burmine is offering one of its shares for every two Europa ordinary and at the same time, is making a **Place II** offer for **Austrian Gold**, an Australian exploration company, valuing it at **A\$15.5m (\$7.4m)**.

As for Magnet, Mr Bowkett has detailed plans for the business which have been developed over the last few months of due diligence investigations. This work has identified a number of areas where costs can be cut. For instance, Magnet's division of the businesses into trade and retail has produced two buying departments ~~and~~ purchasing the same goods from the same suppliers. Put the two together and there

All that Mr Bowkett asks is that shareholders be prepared to take a medium-term view rather than look for a quick return. If **■** Magnet deal completes in March, he thinks it will take until September Beristford's financial year-end to start seeing an improvement. The clock starts ticking on October 1, he says, and he's willing to be judged on the 1994-95 results.

Applied Distribution to float in March


sumer goods, fresh produce and pot plants under temperature controlled conditions. The main customers include J Sainsbury, Nestlé, Esso, Somerfield/Gateway and CWS.

CROSS BORDER M&A DEALS					
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT	
IRCI (Spain) (US) /Borsard (Mexico)	Joint venture	Telecoms	\$370m	Long distance competition	
Photo-life International (UK)	IGS (France)	Photographic equipment	£38m	Buying better technology	
Atlas Tactile (UK)	Cleyn & Tinker (Canada) Carleton Woolen Mills (US)	Textiles	\$20.3m	Continuing overseas expansion	
Northern Electric (UK/ Nokia (Finland)	Sovereign Exploration (JV)	Oil & gas	\$1.5m	NE acquires gas assets	
Fininvest (UK)	Finway Technologies (US)	Computer services	\$2.2m	Taking 79% stake	
Keller Group (UK)	Cass International (US)	Engineering	\$8m	Complementary purchases	
Biffa Waste Services (UK)	Coburn (Belgium)	Waste management	£11.1m	Buying through ERM	
Banco Commerciale Italiana (Italy)	Banque Sudamerica (France)	Banking	n/a	Buying out partners	
Shell (UK)	Societe Shell du Maroc (Morocco)	Oil	n/a	Buying outstanding 50%	
Asea Brown Boveri (Sweden/Switzerland/ Nevsky Zavod (Russia)	ABB Nevsky (JV)	Engineering	n/a	50/50 turbine venture	

Panel demands retractions from Granada

In 1993, LWT generated cash before investments and dividends of \$23.8m, rather than \$22.9m as Granada said. So the conversion of profit before interest and tax **rose** cash before investments and **rose** dividends was 51, not 49, per cent. Similarly LWT's net **rose** inflow before investments and dividends was down **rose** not 26.8, per cent on 1992.

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London, Agent Bank

January 31, 1984

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period from 26/01/94 up ■
26.04.94 ■ determined by
the ■ ■ ■ ■ ■
is 3.50 per cent per annum,
namely USD 875.00 per bond
■ USD 100,000.

ECU 200,000,000
Belgium

Floating Rate ■ due 2000

■ the period from January 1, 1994
to April 29, 1994 the Notes will
carry an interest rate of 6.5% per
annum with an interest amount of
ECU 1,673.61 per ECU 100,000 Note.

■ relevant interest payment date
will be April 29, 1994.

Agent Banks:
Banque Paribas Luxembourg

ECU Terminvest PLC
29 Cheapside Place
Belgrave
London SW1X 0HL
Tel: +71 248 0088
Fax: +71 235 6990

FUTURES & OPTIONS BROKERS

\$32 ROUND TRIP
EXERCISE ONLY


National Bank Of Hungary
U.S. \$100,000,000

Floating Rate Notes due 2000

Pursuant to Note conditions, notice is hereby given that for the _____ period 31st January, _____ to _____ July, _____ (179 days), the following interest rates will apply:

15 YEAR LONG-TERM NOTES
(Coupon)
 Rate per annum: 5 1/8% (minimum rate condition)
 Amount per coupon: 11 1/8%
 Payable on: 25th July, _____

3 YEAR SHORT-TERM NOTES
(Variable Coupon Numbers)
 Rate not applied at present
 (No notes outstanding)

 **LTCB**

The Long-Term Credit Bank of Japan, Limited
 London Branch
 Agent Bank



U.S.\$350,000,000

Subordinated Floating Rate Note Due November 27, 2005
 Notice is hereby given that the **Rate of Interest** has been fixed at
 5% in respect of the Original Notes and 5.0875% in respect of the
 Enhancement Notes, and that the interest payable on the relevant
 Interest Payment Dates of the Notes will be determined pursuant to
 the Interest Payment Date February 28, 1994 against Coupon No. 92 in
 respect of US\$10,000 nominal of the Notes will be US\$38.89 in respect of
 the Original Notes and US\$39.57 in respect of the Enhancement Notes.

U.S.\$500,000,000

Subordinated Floating Rate Notes Due October 25, 2005
 Notice is hereby given that the **Rate of Interest** has been fixed at
 5% and that the interest payable on the relevant Interest
 Payment Date February 28, 1994 against Coupon No. 100 in respect
 of US\$10,000 nominal of the Notes will be US\$38.89.

U.S.\$500,000,000

Subordinated Floating Rate Notes Due January 30, 1996
 Notice is hereby given that the **Rate of Interest** has been fixed at
 5% and that the interest payable on the relevant Interest
 Payment Date February 28, 1994 against Coupon No. 97 in
 respect of US\$10,000 nominal of the Notes will be US\$38.89.

January 31, 1994, London
 Citicorp, N.A. (Issuer) Securities, Agent Bank



Daily Gold Fax - free sample

from Claret Analytics Ltd
75 Swallow Street, London W1H 7HD, UK +
commodity specialists for over 22 years

ask Anne Whitby
Tel: 071-734 7174
Fax: 071-439 4966
a FIMBA Member

**BRADFORD
& BINGLEY**
ESTABLISHED 1921

\$300,000,000
Floating Rate Notes
Due January 1995

In accordance with the terms and conditions of the Note, the interest rate for the period 2/28/94 to 2/28/95, April 1994, has been fixed at 6.625% per annum. The interest rate on 2/28/95 April 1995 coupon 9 will be 230.34 per \$100.00 unit.

Agreed Bank
ROYAL BANK
OF CANADA

Wells Fargo ■ Company
US\$200,000,000
Floating rate subordinated
■■■■■ 2000
The notes will bear interest at
5.25% per annum for the
interest period 31 January
1994 to 28 February 1994.
Interest payable on 28 February
1994 will amount to ■■■■
per US\$10,000 and US\$204.15
per US\$20,000 note.
Agent: Morgan Guaranty
Trust Company
JPMorgan

National Australia Bank Limited



US\$100,000,000


Floating rate notes due
1987


*Notice is hereby given that the
rate of interest relating to the
above issue has been fixed at
3.63525 per cent for the period
31 January 1984 to 29 July
1984. Interest payable on
29 July 1984 for the period
note will be \$334,440.*

**Agent: Morgan Guaranty
Trust Company**

JPMorgan


European Investment
Bank
US\$250,000,000
Floating  due
January 2003
*We are hereby giving that the
notes will bear interest at 5%
per annum from 31 January
1994 to 29 July 1994. Interest
payable on 29 July 1994 will
represent to US\$1.1111 per
US\$5,000 note and
US\$2,486.11 per US\$100,000
note.*
Agent: Morgan Guaranty
Trust Company
JP Morgan


The Kingdom of Belgium
US\$400,000,000
Floating rate notes due
1996
In accordance with the
provisions of the notes, notice
is hereby given that for the
interest period from 31 January
to 29 July rate
interest of
3.25% per annum. The interest
payable on the relevant
payment date, 29 July 1994 will
be US\$4,039.93 per US\$250,000
note.
Agent: Morgan Guaranty
Trust Company
JPMorgan


Republic of Italy
ECU1,000,000,000
Floating rate notes due
2005
Notice is hereby given that the notes will bear interest at 3.535% per annum from 31 January 1994 to 29 April 1994. Interest payable on 29 April 1994 will amount to ECUT7.41 per ECUS,000 note and ECUT74.07 per ECUS,000 note and ECUS1,548.15 per ECU1,000,000 note.
Agent: Morgan Guaranty
Trust Company
JPMorgan

SIEMENS

Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the annual shareholders' meeting of Siemens AG will be held on March 10, 1994 at 10.00 a.m. in the Olympiahalle of the Olympiapark, Coulbaitplatz, 80809 München, [REDACTED] Republic of Germany and will consider the following agenda:

1. Submission of the financial statements for the fiscal year ended September 30, 1993, the Managing Board's general review, the report of the Supervisory Board, the Managing Board's proposal for the appropriation of [REDACTED] income, as well as the [REDACTED] financial statements for the fiscal year ended September 30, 1993, and the associated consolidated general review. These documents may be inspected at the cashier's offices of the Company or designated depositories.
2. Resolution on the appropriation of net income.
3. Ratification of the acts of the Managing Board.
4. [REDACTED] the [REDACTED] Supervisory Board.
5. Appointment of auditors for the fiscal year 1993/94.
6. Approval of control and profit transfer-agreement.

As far as item 2 of the Agenda is concerned, the Supervisory and the Managing Board propose that the net income of DM 72,662,767 be used to pay out a dividend of DM 13 per share DM 50 par value and that the dividend amount attributable to treasury stock be carried forward.

Pursuant to §19 of the Company's Articles of Association, an owner of Company shares is entitled to attend and vote at the [REDACTED] meeting, provided that he has deposited such shares with a depository not later than March 3, 1994 and that the shares remain blocked until the end of this shareholders' meeting.

The depository in the United Kingdom is:
S.G.Warburg & Co. Ltd., 2 Finsbury Avenue, [REDACTED] EC2M 2PA.

The notice of invitation including the full wording of the agenda and - in due course - our English annual report can be obtained from our depository bank.

The complete wording of the invitation has been published in the German Federal Gazette "Bundesanzeiger" [REDACTED] 18 dated January 27, 1994.

Berlin [REDACTED] Munich, in January 1994

Siemens Aktiengesellschaft
The Managing [REDACTED]

Notice of Early Redemption

State Bank of South Australia
(an statutory corporation constituted under the State Bank of South Australia Act, 1953)

Yen 60,000,000,000

5 1/4 per cent. Guaranteed Notes due 1999

Notice is hereby given in accordance with Condition 6(5) of the Notes that the Bank has elected to redeem all the outstanding Notes on **February 22, 1994** (the "Redemption Date") at par, plus accrued interest, all as more fully provided in the Terms and Conditions applicable to the Notes and the related Paying Agency Agreement. Payment of the Redemption Amount, together with the Interest due, will be made on or after the Redemption Date against presentation and surrender of the Notes at the office of the Fiscal and Paying Agent or at any of the Paying Agencies listed below. Notes must be presented for payment together with all unexpired Coupons. Notes and Coupons will become void unless presented for payment within periods of 11 years and 5 years respectively from February 22, 1994 as defined in Condition 8 of the Notes.

PRINCIPAL PAYING AGENT


The Chase Manhattan Bank, N.A.
Woblog House, Coleman Street, London EC2P 2HD


PAYING AGENTS

Chase Manhattan Bank Luxembourg S.A. 5 Rue Plessier L-2338 Luxembourg-Grand	Chase Manhattan Bank (Switzerland) 83 Rue du Rhône CH-1204 Geneva
Banque Bruxelles Lambert S.A. 24 Boulevard du Marché, B-1050 Brussels	

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent

January 31, 1994

 **CHASE**



BRADY & BINGLEY
ESTABLISHED 1966

\$300,000,000
Floating Rate Notes
Due January 1995

In accordance with the terms and conditions of the Notes, the interest rate for the period 2/28/94 through 2/28/94, 1994 through 2/28/94, has been fixed at 6.625% per annum. The interest rate on 2/28/94 through 2/28/94 upon 9 will be 230.34 per 100 annual.

Agreed Bank
ROYAL BANK OF CANADA

Five International Finance (Cayman) Limited
U.S. \$200,000,000
Subordinated Floating Rate Notes due 2001
Guaranteed on a subordinated basis by
The Daiwa Bank, Limited

Interest Period	1st January, 1994 to 29th April, 1994
Number of days interest rate	3.50% per annum
Coupon Amount of each Note	U.S. \$667.76

The Daiwa Bank, Limited
London Branch
as Agent Bank

2005

Notice is hereby given that the notes will bear interest at 6.33333% per annum from 31 January 1994 to 29 April 1994. Interest payable on 29 April 1994 will amount to ECU77.41 per ECU50,000 note and ECU774.07 per ECU500,000 note and ECU1,548.15 per ECU100,000 note.

Agent: Morgan Guaranty Trust Company.

JPMorgan

Aetna Life to shed 10% of its workforce

organisation in 1990 which resulted in Aetna's splitting its three large divisions into 10 smaller profit centres so that the performance of each business unit could be more closely monitored.

ANA mission looks for links with BA

Paul Abrahams on Japan's second airline's search for increased volume

A team from All Nippon Airways, Japan's largest carrier, is in Tokyo today for London. Its immediate mission is to negotiate an agreement to allow the airline's aircraft to participate in British Airways' frequent flyer programme.

But ANA has bigger ambitions. The firm is also under instructions to explore the possibility of a wider marketing alliance with BA that will help counter a collapse in demand caused by Japan's worst post-war recession.

The airline, the world's eighth biggest - larger than BA in terms of passenger numbers - urgently needs to improve links to the international flights, particularly from Europe and the US to Japan.

The carrier's management

Meanwhile, the group's international strategy is faltering. ANA's heavy expansion during the late 1980s and early 1990s has come to a halt. Loadings on international routes have fallen from 80 per cent in 1992-93 to 60 per cent in the six months to September and management expects no recovery during the second half.

The fall in passenger volumes has been exacerbated by a change in currency mix. Mr. Nakamura says the number of passengers in Japan and business class has fallen by a third since the early 1990s.

ANA, unlike its rival JAL, is still in profit, but management admits its post-tax results have fallen into the red during the last six months in September. The group had not changed its depreciation policy, by extending that assumed

become the largest **gold** mine
in **South Africa**.

Goodyear sees higher profits

Goodyear, the US tyre manufacturer, expects to report net income before extraordinary items of **\$640 million** or **\$3.80** to **\$3.35** a share, for 1992, **one-third higher** than in 1991, writes Martin Dickson.

The company, which will not report its **third** **quarter** **earnings** **until** **May** **9**, **will** **also** **report** **earnings** **of** **some** **\$15m**, or 10 cents a share, of non-recurring gains from asset sales.

bank leumi בנק לאומי

This announcement appears



EXPLOITATIEMAATSCHAP
Amsterdam,
Project
NLG 47
Long term subordi
Arre
ING 
(ING BANK • NATION

The Industrial Bank of Japan, Limited, Tokyo
Agent Bank

January 31, 1954

1994 will be 5¼% per annum. The interest amounting to US \$136.74 per US \$5,000 principal amount of the Notes will be paid on 29th July

The Markets

THIS WEEK

Global Investor / Martin Dickson in New York

The last picture show, perhaps



A grim-faced, soothsayer tramps through the streets of New York holding aloft a placard declaring "the end of the world of Paramount is near."

The cartoon, published in New Yorker magazine, sums up both Wall Street's weariness with the five-month-old battle for the entertainment group Paramount Communications, and the gloomy expectation that the bidder wins the battle will turn out to be the loser - at least in the short run.

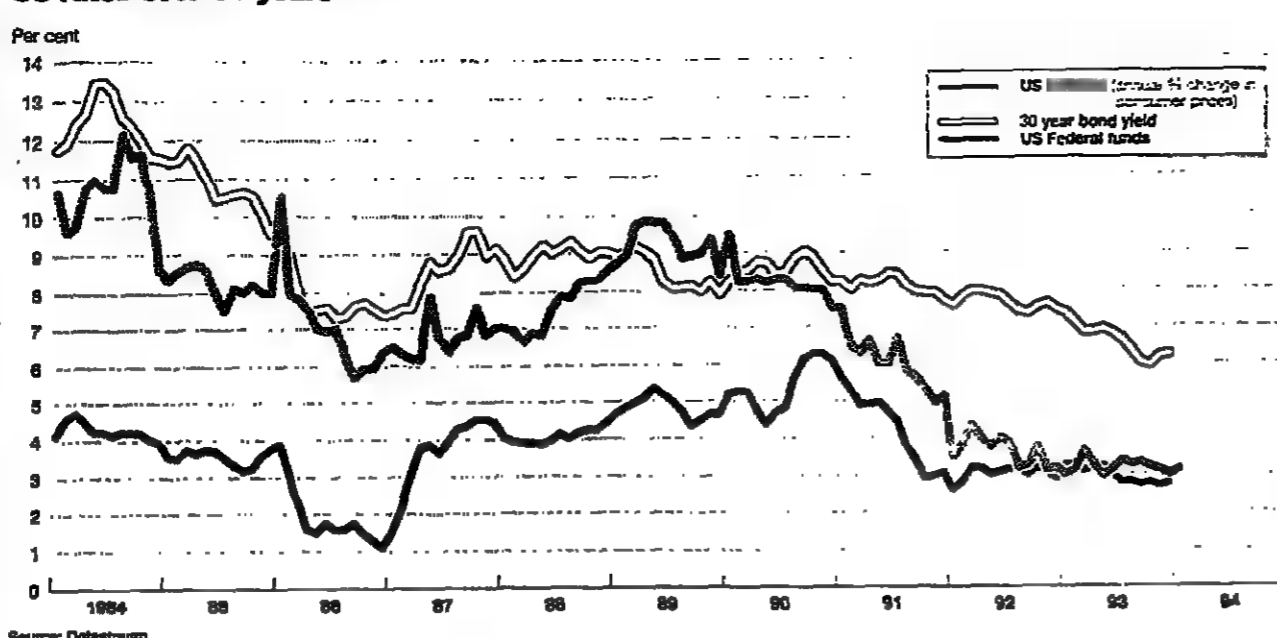
Over the past few weeks the market has hammered the shares of each of the two bidders - Viacom and QVC Network - when they appeared to be the likely victor, and analysts expect this trend to be accentuated when the contest is finally settled.

That could be as early as this week. The Paramount board has not yet announced a deadline for bids and offers, and it issued a warning last week that bids beyond February 1 would violate the ground rules it has laid down for the contest. Shareholders will have until the middle of the month to make their choice.

However, since the board has a duty to get the best value for shareholders - and may lose its job if it does not - it could find it hard to ignore a higher offer made after the auction gavel has supposedly dropped for the third time.

The winner's shares are expected to drop in part because much of Paramount's stock is now in the hands of Wall Street arbitrageurs, rather than long-term investors, and they will be keen to liquidate quickly the holdings in the winner's stock which they receive in part-

US rates over 10 years



Source: DataStream

used for their Paramount shares.

At the same time, whichever company wins Paramount will be leveraging itself up with debt in order to pay a very high price - more than 17.5 times operating cash flow in the case of Viacom, and a price/earnings multiple of over 30 for a takeover with a lacklustre profits record, forecast to produce flat earnings this year.

Viacom says Wall Street is "grossly underestimating" the growth potential of its merger with Paramount, and the simultaneous takeover it is planning of video retailer Blockbuster Entertainment.

The company certainly has an impressive record in the creation of animated television programming. But Paramount's core business is its film studio, and the track record of QVC's Barry Diller, one of the most innovative Hollywood figures of the past two

decades, suggests he is more likely to make this bet - eventually.

Disney

Whatever the outcome, the Paramount bid is a gamble that entertainment software - film and television - will have a high scarcity value in the brave new world of inter-active, multi-media communications, which promises to bring a host of new television-based services into the home, ranging from shopping to video telephony.

No one really knows how much of this excitement will be willing to pay for, or when, and how much is going to be lost and found out.

But it is a fair bet that the film and TV shows which can be summoned on demand, by the click of a mouse control button, will be among the most popular offerings.

With Paramount still to

lose its independence, the only remaining large, quoted and fairly "pure" film business is Walt Disney, which last week produced a remarkably strong set of first quarter figures, with earnings rising 34 per cent to \$368.6m.

Disney shares have been held back by the crisis at its 50 per cent-owned associate, Euro Disney, which is crippled with debt and is about to start negotiations with its banks over an emergency refinancing.

Last week's figures excluded Euro Disney losses because Walt Disney has written its investment down to zero. But the Euro Disney crisis will eventually pass, as it through a debt restructuring or closure, and the recent emergence of a secondary market in Euro Disney debt is one positive straw in the wind.

Euro Disney aside, the basic fundamentals at Walt Disney look strong, a fact which may have escaped Euro-

pean investors, perhaps enjoying a touch of schadenfreude at America's most powerful purveyor of popular culture fouling up in the old world. Walt Disney's American theme park business may be growing only modestly, but its film division produced a 34 per cent surge in first quarter operating profits to \$740m, thanks largely to two animated films: Aladdin, which was released in video form in the US market and in cinemas internationally; and the Jungle Book, an older Disney title which was released internationally in video.

There is plenty more in the cartoon pipeline, with the release in the US next summer of Lion King, an African wildlife tale with music by Elton John, followed next Christmas by Pocahontas, an American Indian saga.

Joselyn Reiff of Oppenheimer & Co, who has been one of the most bullish Wall Street analysts on Disney and thinks the

stock could rise 10 per cent over the next 12 months, says the success of the Jungle Book underlines a unique feature about the company.

Disney "re-releases each animated film every seven to ten years and do as well or better than the original release." That is not true for live action films, and makes the library the most valuable in Hollywood on a per-title basis.

The Fed's dilemma

The Federal Reserve's policy-making Open Market Committee will meet on Thursday and Friday of this week to address the question uppermost in the mind of the global financial community: will the Fed tighten monetary policy, implementing its first US interest rate increase in five years?

Wall Street analysts expect the central bank to raise rates higher - possibly taking the fed funds rate from 3 per cent to 3.25 per cent - over the next few months, to nip incipient inflation in the bud and reassure the bond market in the US economy's growth.

Yet the moment inflation does not seem a problem, last Friday's figures for fourth quarter GDP - showing the economy growing at an annual rate of 5.9 per cent - also contained good inflation news. The implicit GDP deflator, a broad measure of price changes and inflation in buying patterns, rose just 1.3 per cent in the quarter, compared to the 3 per cent forecast by some analysts.

The fourth quarter growth rate was boosted by special factors and Wall Street is expecting a sharp drop in the first three months of this year, particularly in view of winter storms in the East and the earthquake in Los Angeles (though some economists argue that the quake could be a net plus for growth, given

Total return in local currency to 27/1/94

	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.06	0.04	0.12	0.13	0.15	0.10
Month	0.27	0.11	0.55	0.58	0.71	0.48
Year	3.34	3.34	2.89	2.89	11.94	5.58
Bonds 3-5 year						
Week	0.07	-0.12	-0.04	-0.07	0.08	-0.18
Month	0.74	0.16	0.16	0.24	0.75	0.18
Year	8.38	8.38	11.98	17.12	23.30	11.87
Bonds 7-10 year						
Week	0.12	-0.38	-0.26	-0.41	-0.18	-0.74
Month	0.77	-0.31	-0.31	-0.31	0.48	-0.29
Year	11.33	10.13	15.13	21.98	35.32	19.25
Equities						
Week	-0.3	-2.1	0.1	1.0	3.3	-0.9
Month	0.7	8.9	1.6	1.6	2.9	0.2
Year	10.4	23.2	36.8	37.6	35.7	26.4

Best performing stocks from FT-A World Indices in local currency to 27/1/94

	Cash	Week	Month	Year
Jennings Group (Aus)	0.39	45.5	45.5	300.0
Feruzzi Fin. (Ita)	725.00	35.3	35.3	0.5
Air Canada Inc. (Can)	0.80	12.3	12.3	179.0
Radio-Technique (Fra)	585.00	77.7	77.7	100.0
Hafslundstad A (Swe)	68.00	77.2	77.2	147.0
Iseki & Co. (Jap)	309.0	16.6	16.6	37.0
Fokker (Neth)	21.20	18.5	18.5	75.0
Feruzzi Finanz. (Ita)	1,820.00	16.3	16.3	62.0
Chiquita Brands (USA)	15.50	15.0	15.0	4.0
Safra A (Ita)	4,900.00	15.7	15.7	48.0

Source: Cash & Bonds - Lehman Brothers. Equities - FT World Indices. The FT-World Indices are based on the FT-World Index, which is a composite of the FT-World Index and the FT-World Index.

the construction spending it will trigger.

The Wall Street consensus for 1994 as a whole is growth of a little over 3 per cent. The FOMC, in its week's first meeting of the year, will have its view on the outlook for 1994, as well as setting monetary growth targets.

As it considers tightening it will have one more piece of evidence to consider - January's employment report, due out on Friday morning, which is expected to show a gradually expanding labour market, though the picture may be distorted by seasonal factors and changes in reporting methodology.

The committee faces a dilemma. It needs to find

before inflation becomes an evident problem, because by then a price spiral will be embedded in the system and the harsh medicine necessary to stop it would severely unsettle the markets.

On the other hand, last week's bond market rally indicates that Wall Street remains relaxed about inflation, while an early rise in rates would be politically unpopular (particularly against a background of natural disasters) at a time when Congress is threatening to curb the Fed's freedom.

In a week when the US is banking in the best of all possible worlds - low inflation - the Fed would be brave indeed to break the spell.

Economic Eye / Edward Balls

Financing the upgrade to a high-wage-growth economy



The Organisation for Economic Co-operation and Development is not known for its publicity-seeking ways.

Strong titles, racy language, bold conclusions - none of these are house-style in the industrialised countries' Press think tank.

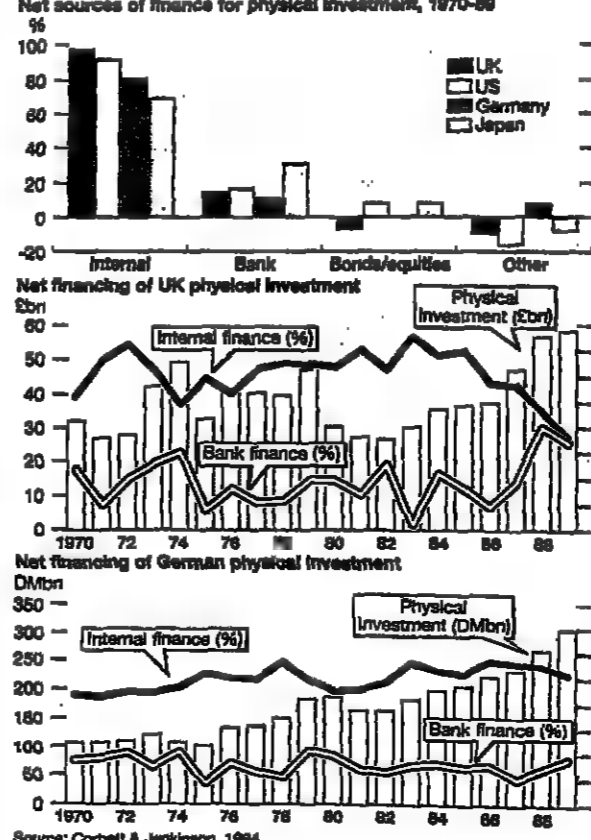
Yet, despite its usual diplomatic language, the OECD's report on employment and unemployment. The study, currently circulating among member governments, criticises continental European governments for their poor records of job creation and high long-term unemployment. But the OECD does not believe that the deregulated Anglo-American labour market is the answer.

The OECD's collapse in the demand for unskilled workers in developed economies, the OECD report says, is a serious problem "regardless of the form it takes - low paid, low quality jobs or overt unemployment." Less regulation may mean more low-wage, low-productivity employment. But the OECD's America's hire-and-fire labour market - rising wage inequality and in-work poverty as well as male inactivity - are economically and socially dangerous as the long-term unemployment they are supposed to avoid. The only sustainable, affordable, solution is to increase the productivity of most developed economies - with the exception of Japan and perhaps western Germany - to create high-wage, high-skill jobs and equip poorly educated workers to compete for them.

What the OECD is not willing to do, however, is to ask whether the free market policy pursued by the UK government or deeply embedded in the structure of the American economy can explain why they have comparatively low levels of investment in physical and human capital. Last year's OECD Employment Outlook, for example, published research which finds a strong link between security of employment tenure and the

Investing for the future

Net sources of finance for physical investment, 1970-88



Source: Corbett & Jenkins, 1994

willingness of both workers and managers to invest in training. But, while the OECD report makes many suggestions for increasing the quality of education and removing obstacles to job creation, it does not tackle the question of whether hiring and firing necessarily undermines long-term relationships and thus investment in skills.

Again, with a nod in an Anglo-American direction, the report suggests that "investment levels are low in many OECD countries to provide the capital stock necessary to generate sufficient numbers of high-productivity jobs." But perhaps the low level of investment in the UK and US is linked to the structure of Anglo-American financial systems, and the fluid relationships between managers, shareholders, banks and other stakeholders that they encourage. The OECD's desire to duck these issues is understandable - international comparisons of financial systems are fraught

with difficulties. Identifying differences in corporate governance is a country is comparatively easy: US and UK companies have few intercorporate bank equity holdings, while the takeover threat means incumbent management focus on short-term results; German and Japanese companies are less vulnerable to takeovers because of shareholdings while management decisions are supervised by committees on which banks play a leading role.

Yet the standard complaint from UK companies - that they do not have the same level of access to long-term bank finance as their German or Japanese competitors - is not borne out by the evidence. Oxford University economists Jenny Corbett and Tim Jenkins have identified the main sources of funds available for physical investment over the period 1970-1989 after adjusting for bank deposits and purchases of bonds and equities. Contrary to the conventional

wisdom, their research finds that internally generated profits are by far the main source of funds for investment in all four countries. As the OECD shows, US and UK companies actually depend more on bank finance than German companies. The market capital - bonds and equities - provides a small and dwindling net source of finance. For British companies, the development of the takeover market means that equity finance has increasingly become a net drain on resources.

The financial system clearly creates a difference to the time horizons over which managers and workers can plan. The pattern of UK investment is much less long-term than in Germany, in part because of Britain's macroeconomic turbulent history, as the OECD shows. But the OECD also shows that UK investment also fluctuates markedly, rising when investment increases but then falling sharply in recessions as the profitability of lending falls and banks sell in to the market. In Germany, by contrast, the OECD says that actual and proxy shareholders in the companies they invest in seem to have much more dependable bank finance. The ability of German and Japanese stakeholders - workers, managers and shareholders - to take a longer term view and forgo earnings to invest for the future must be part of the reason why profits in the US and UK are consistently higher than in the US and UK. UK can blame British managers or workers for trying to extract as much as possible as fast as they can from the companies in which they work when the threat of takeover, recession or bankruptcy remains so immediate?

The OECD is right of course, to counsel against easy solutions to long-term challenges of tackling unemployment, and creating more high-wage jobs, is not easily understood, let alone solved. Finding financial structures which encourage managers, workers and banks to take a longer-term view must be part of that solution. The OECD's decision not to explore how differences in corporate governance affect wages, profits and investment leaves a gap which needs to be filled.

November 1993

This announcement appears as a summary of record only

STATOIL

Den norske stats oljeselskap a.s

U.S.\$1,000,000,000

Multicurrency Revolving Credit and Swingline Facility

Participating Banks

ABN AMRO Bank N.V.	The Bank of Tokyo, Ltd.
Banque Nationale de Paris	Barclays Bank PLC
Bayrische Landesbank Girozentrale	The Chase Manhattan Bank, N.A.
Christiania Bank & Kreditkasse	Citibank, N.A.
Credit Suisse	Den Danske Bank
Deutsche Bank Luxembourg S.A. Co-ordinator and Facility Agent	Dresdner Bank Luxembourg S.A.
The Mitsubishi Bank, Limited	Morgan Guaranty Trust Company of New York Co-ordinator and Swingline Agent
The Royal Bank of Canada Group	Skandinaviska Enskilda Banken
Société Générale	Swiss Bank Corporation
Union Bank of Switzerland	

An image of Japanese caution

Corporate Trust Department
Telephone: 44-71-325-4872
Telecopier: 44-71-325-4305

Coupons Operations Spéciales
Telephone: 352-4797-5328
Telecopier: 352-4797-5270

NEW YORK

US Benchmark yield curve (%)

Legend: 1-Month (solid line), 1-Year (dashed line), 30-Year (dotted line)

Y-axis: 2.75, 3.25, 3.75, 4.25, 4.75, 5.25, 5.75, 6.25, 6.75

X-axis: 0, 10 years, 20, 30

Source: Federal Reserve

Philip Coggan

The monthly monetary meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, on Wednesday is likely to activate market speculation on this week, although the meeting has been brought forward by a week. Mr David Walton, UK economist at Goldman Sachs, is expecting any immediate action on interest rates. "Economic activity looks relatively buoyant," says Mr Walton, pointing to the recent UK industrial production. He adds that today's figures for the narrowest measure of money supply will show strong growth. The consensus forecast is that M0 will have risen to £1,000 billion by the year to January. Mr Warwick Securities says that "the Treasury will usually release January retail sales figures and to follow-through from the buoyant CBI survey" and

UK

Benchmark yield curve (%)
20/1/94 — Month ago

4.75 5.00 5.25 5.50 5.75 6.00 6.25 6.50 6.75 7.00 7.25 7.50 7.75 8.00 8.25 8.50 8.75

1970 1975 1980 1985 1990 1995 2000 2005 2010 2015 2020 2025

*All yields are market convention
Source: Merrill Lynch

he **added** that a **rate** cut will be sanctioned.

The **market** may spend part of **the week** digesting last **week's** disappointing auction of 2010 stock. Foreign investors normally prefer 10-year stock but Yamaichi International (Europe) **argues** that the **lack** of **overseas** demand has **led** to **the** **low** bids ringing in **the** **market**.

Whether **or** **not** there will **be** as much take-up of gilts by foreign **investors** as **has** in the current financial year,

David Waller

The Bundesbank policy-making council meets on Thursday for the third time this year and could well seize the opportunity to cut the discount rate for the first time since October.

One positive factor is that inflation is coming back under control - the 3.4 per cent rise in prices in January reported last week was well below the expected and points to inflation down to below the 3 per cent for 1993 as a whole.

Another is the Bundesbank's insistence that however determined the government is to meet money supply figures for 1993, it must turn out to be, it should be put under special factors.

The Bundesbank is encouraging markets to look ahead, saying that in January growth subsided.

EC Central at Midland City Markets

London with the easing move come via a move to a 23-day variable-rate repender on Tuesday. This would be the first move from fixed-

Germany

Benchmark yield curve (%)

Year/rd Month, ago

1987 10 yrs 20 3

Yield axis: 4.2, 4.6, 4.8, 5.2, 5.6, 5.8, 6.0, 6.2, 6.4

Legend: Year (solid line), Month, ago (dashed line)

Source: Merrill Lynch

... since early November and usher in a cut in "official rates" on Thursday. She says that the weakness of the D-Mark will not discourage a rate cut - "the D-Mark is weak precisely because German rate setting is already abanquet". In the bond market further easing is not needed and yields on 10-year Bunds are likely to fall from Friday's 10.5% to 10.2% if the Bundesbank

Emiko Terazono

The last-minute reversal of the coalition government's political reform bill last weekend may further dampen sentiment on the government bond market.

Bond traders fear an economic stimulus package, likely to be announced this week, will mean extra supply and a formal announcement may prompt profit-taking.

The bond market has already been hit by fears of oversupply triggered by a government announcement that it will auction bonds outright rather than with repurchase agreements.

Also, while the government has indicated that an income tax cut will boost the slumping economy, it will ultimately be offset by increases in consumption taxes, an increase in the sales tax is also possible.

On Saturday, Mr. Shirohiko Hosokawa, prime minister, said he was not considering a sales tax hike at the moment and Mr. Masayoshi Takemura, finance minister, said he was not a secretary.

January

Benchmark yield curve (%)
26/1/94 Month ago

Maturity (years)	26/1/94 (%)	Month ago (%)
0	1.0	1.0
1	1.5	1.5
2	2.0	2.0
3	2.5	2.5
4	3.0	3.0
5	3.5	3.5
10	4.0	4.1
15	4.4	4.6

All yields are at market convention.
Source: Merrill Lynch

Sunday said the income tax cut will be funded by government bonds.

An income tax cut larger than \$6,000bn to \$7,000bn is likely to discourage investment and profit-taking by institutional investors. The end of the March market closing will weigh on the fixed market.

A recovery in the stock market is also negative for bonds, as hopes of a cut in the official discount rate cut will rally in share prices.

Fund managers gear up for a bear market

Fixed-income funds have had a glorious run in 1981, with the crest of a global bond rally the yields tumbling to their historical lows. But while many funds are still preoccupied with wringing the life out of the ebbing rally, others are gearing up for the expected to begin in the half the year. They expect to begin the period of half the year, or slowly rising rates, which will make it harder to prosper using conventional bond strategies.

"Bond management is a bull market profession, where fund managers need to identify markets where interest rates are falling," says Mr. Paul Aberberly, president and chief of fixed income at Lombard Odier Investment Management in London. "However, that style will become obsolete in a period of interest-rate stability or rising interest rates."

In anticipation of the new market, Lombard Odier began to build up its fixed-income management style 18 months ago.

It is important, says Mr. Aberberly, to expand one's

Investment universe to include countries outside the OECD, and increasing allocations to emerging bond markets. Lombard Oddinvest in emerging markets on a minor scale, present but ~~not~~ the next year, these markets are expected to play a more active role in portfolio construction.

Investment managers may want ~~also~~ to refine the way they take bets on interest rates.

Other than looking for markets where interest rates are falling, causing bond yields to fall and prices to rise, they need to identify markets where interest rates are changing whatever the direction.

"As long as you have interest rate changes, ~~then~~ can invest in securities in such a way as to take advantage of these changes," Mr. Abberley.

With increased liquidity in derivative markets, a growing array of structures, products and financing vehicles are available. Investors cannot buy derivative instruments ~~can~~ the same way by purchasing bonds with en-

These options, for example, allow an investor to implement their views when they are at a low with the market and when they are at a high money (irrespective of the direction of rates and yields). Mr Aberkane says that in an environment of stable or rising interest rates also requires more active yield curve market strategies, such as using agencies facing long and short maturities at different parts of the yield curve; to play (trading the volatility) it spreads between different sectors of a bond market; and volatility trades (applying sophisticated derivatives strategies).

Different interest rate market strategies exist across various yield-curve plays. For example, in an environment of stable interest rates and a positive yield curve, a yield-curve play could simply involve riding the curve.

Most markets approaching the end of the interest rate cycle have positive yield curves, where above-average returns are long-term rates. An investor who buys and holds long-dated, higher-yielding bond, will benefit when the

yield curve as it moves up to maturity, generating capital gains.

In an environment of rising short-term interest rates, it might be more appropriate to play the yield curve at the end, where yield curves rarely move in a parallel fashion.

Rate increases at the end of any inflationary period seem to be the best time for participants in a central bank's monetary commitment to containing inflation. This may mean yields will fall and prices to rise at the long end of the yield curve.

At the same end, however, the opposite may happen, with yields rising and prices falling as the increase in inflation takes hold.

In that context, some investors could be well advised to establish a position in short-dated, say two-year, bonds, and a long position in long-dated, say seven to 10-year bonds, if we believe that the Fed will, as pivot, let the yield curve move in a non-parallel fashion.

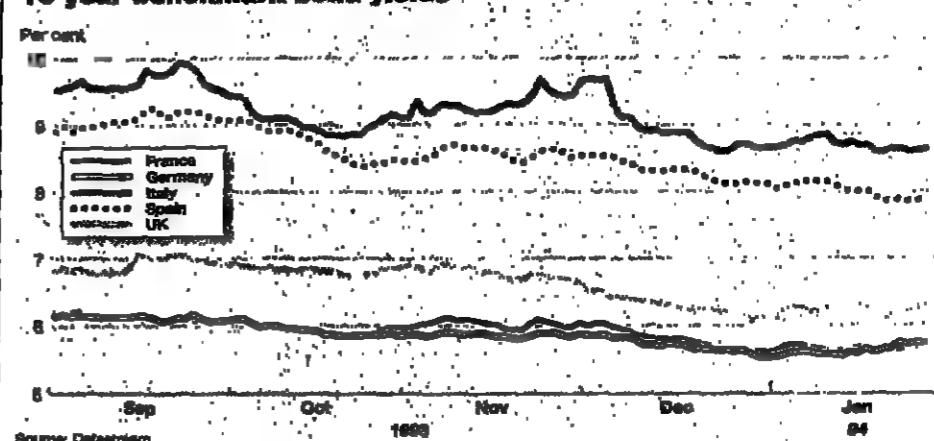
One prerequisite for applying such strategies is that the portfolio guidelines allow fund managers to go short of securities, a strategy many funds

management allowed to implement. "If you're aggressive, you're going to have interest rates, some of which become speculation. But the institutions have had a hard time of whether this is an acceptable style of managing their assets," says Mr. Abbey.

Another senior fund manager says that the temptation of leveraging a fund portfolio through complex structural strategies is heightened in lower-rated credits. "We haven't yet devised a strategy for managing our portfolios in a bear market, but we won't want a guideline that's too restrictive, for the negative duration [from synthetic short positions on bonds]," he says. "We won't let the firm."

Still, some liberal fund guidelines clearly can hamper a fund's performance. Lombard Odier's conventional guidelines last year outperformed the average of its peers by roughly 5-8 per cent. In contrast, one of its more aggressively structured portfolios was able to outperform its benchmark index by the same amount in 1993.

10 year benchmark bond yields



	USA	Spain	Germany	France	Italy	UK
Discount	0.30	1.75	5.75	7.50	0.00	0.50
Overprint	2.88	2.81	0.68	2.81	0.27	1.43
Three months	5.01	0.16	0.66	0.01	0.37	1.45
One year	5.47	2.09	5.12	5.58	1.81	1.78
Two years	5.01	2.68	5.15	5.65	0.75	0.99
Five years	0.94	0.66	5.15	5.15	0.69	0.43

■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%							
	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Mar	118-26	117-14	0-21	117-28	116-14	381,562	
Jun	118-23	118-18	0-22	118-24	116-14	4,424	21,781
Sep	118-23	118-12	0-21	118-24	114-25	5,433	

Dragon breathes new life into Asia

Asia's Dragon had made its mark with more of a bang than a roar. But two years after its inception, ASEAN was to create an active capital market serving the Asian region as a whole. The Asian Development Bank (ADB) launched its Asian Dragon issue with the focus on infrastructure development of a regional capital market, given that some in the region had been relatively unresponsive to savings and high central banks were flush with money yet the problem remained so that they could not invest in infrastructure projects in a rapidly-developing region. Investors now

money into the region's stock market. The ADB itself has been unable to make more sense of these funds to be diverted into bonds and used to provide long-term, fixed-rate financing for construction and energy projects.

Alas, it certainly did not work out way in the two for the Asian Dragon issues. A cursory glance at the list of borrowers in the Dragon bond market shows that the overwhelming majority are non-Asian names such as General Electric Capital Corporation, North-West Investment Bank and European Investment Bank.

Most of them wanted to raise their profile among Asian investors (such as central banks, bond funds and retail investors) by issuing debt in the region, thereby widening their investor base.

Adding to the non-Asian flavor, investors complain about the poor liquidity which characterizes relatively small issues (most are less than \$100 million), the fact that the overall debt is not intended to

(only) **US** **basis** **points** **yield** **the** **US** **Treasury** **bill** **yield** **the** **high** **credit** **rating** **of** **the** **borrower** **and** **historically** **low** **US** **bond** **yields**.
Hopefully, these grumbles will be **quenched**. Already, there are signs that **Asian** **markets** are gearing up to **rejoin** the **market**. The **People's** **Republic** **of** **China** **launched** **a** **\$30m**, **10-year** **bond** **last** **October** **and** **other** **Asian** **markets** **including** **the** **People's** **Construction** **Bank** **of** **China** **are** **rumoured**.
With a long-term interest rate in **the** **area** **of** **10** **percent** **in** **the** **early** **1990s**, **China** **is** **claiming** **that** **it** **is** **not** **supranational** **and** **that** **it** **is** **not** **triple-A** **rated** **in** **the** **early** **1990s**. "The **market** **process** **of** **establishing** **a** **market** **in** **time** **and** **you** **need** **top-rated** **to** **pave** **the** **way** **for** **you** **simply** **cannot** **just** **use** **a** **market** **with** **the** **best** **in** **the** **region** **tapping** **it** **first**," **says** **one** **banker**.
In **the** **region** **have** **the** **confidence** **in** **the** **region** **to** **revert** **to**

Investors _____ be able to buy _____
_____ While a more generous
yield _____
Where the development of
the Dragon bond _____
proved a success is in encourag-
ing _____ banks to
expand their operations in the
region and to explore the
_____ capital markets.
Ms Ellen Miller, executive
_____ of the bond syndicate
at Lehman Brothers, London
points out that some of the
international houses have
become more involved in
_____ instruments.
_____ of the bankers are
showing much more interest
in the _____ debt
_____ of regions such as
Hong Kong, Thailand, Malaysia
and Indonesia.
The _____ cynical bond
_____ as a marketing gimmick,
but _____ they are pre-
pared to admit that it has
helped to focus attention on
the development
_____ in the region and should
encourage Asian borrowers
eventually launch _____ large

York, N.Y., January 1994 - Schlumberger Ltd. reported 1993 income before an extraordinary item, of \$583 million. This represents a 12% decline over last year and coincides with the worldwide collapse of the 2D seismic market, which more than offset the growth in 2D American offshoots. As a result, earnings per share of \$2.14 were 11% below last year. Operating income rose 6% to \$6.71 billion, boosted by the January 1994 acquisition of the remaining 50% of Dowell Schlumberger. The extraordinary item is a charge relating to the adoption of new accounting rules for post-retirement benefits.

Following a 1993 decline in drilling rig count worldwide during 1993, income rose significantly for Wireline & Testing, Dowell, Anadrill and GeoQuest. The industry-wide swing from 2D to 3D seismic surveys continued, Geo-Prakla further restructured to meet the anticipated 1994 and 1995 activity in this environment. 1993 Forex results were lower as expected, ending 1993 with their repositioned in growth markets and their prospects for 1994 improved.

led by Component T of Automatic Test Equipment, Measurement Systems revenue rose 10% in national currencies; however, because the US dollar was stronger than key European currencies, revenue in US dollars decreased 5% compared with a year ago.

According to Chairman and Chief Executive Officer, Euan Baird, "The current weakness in the price of oil, caused primarily by the flattening of the world oil price in 1993, cast a cloud of uncertainty over the upstream spending of our customers. They will remain prudent until the oil price together begins to show clear signs of recovery."

In the fourth quarter, operating revenue was \$1.75 billion, an increase of 7% over the prior year. Earnings per share of \$0.51, 10% lower than the same quarter last year with the decline due mainly to the cost of our down-sized our seismic operation.

Non-Voting Preference _____ dated _____ day(s) of _____ 1998.

Attention is directed to the fact that _____ as published by News Citywire Investment Limited on 13 _____ issues in the Financial Times by which it was authorized to issue new shares of common stock of _____ Corporation ("the Company") by way of dividend to its shareholders registered on 1 December, 1998 one _____ of Royal Bank of Canada every _____ in _____ capital of _____ of the Company.

Although the notices went on to state that the legal basis for the transaction has caused a change in the composition of the Exchange Property, upon further review of the notices the undersigned concluded that the transaction has not had from dear such transaction did cause such a change and, as a consequence, legal advice on the matter is in the process of being taken.

As a result, all pretentive shareholders are advised not to take any action until they have received the written confirmation letter communication from The _____ Corporation Limited.

January 31, 1998, London

(Legal Services) Partnership Agent

CITIBANK

Attention is drawn to the notices published by News Currents Limited on 13 December, 1993 in the Financial Times by which it was said that there had been a change in the composition of the Board of Directors of the Company and that the Company had been advised by the Registrar of Companies that it was to be divided to its shareholders registered on 1 December, 1993 on the share of Royal Doulton plc for every ten shares in the capital of Pearson plc held at that date.

Although the notices went on to state that the Royal Doulton transaction has caused a change in the composition of the Exchange Property, and in their capacity of the relevant documents, the view has been reached that it is not necessary to call a meeting of the Company to consider the matter, and, consequently, legal advice on the matter is in the process of being taken.

As a result, all preference shareholders are advised not to take any action in relation to the proposed transaction until further communication from The News Currents Company Limited.

January 31, 1994, London

By  Robert W. G. Jones, Solicitor
Solicitors for the Company
 CITIBANK

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PMI DATA

Issuer	Amount	Maturity	Coupon	Yield	Launch spread bp	Final review	Broker	Amount	Maturity	Coupon	Yield	Launch spread bp	Final review
COLLARS							Republic of Angola	1bn	Feb.2024	8.75	85.151	6,380-110	ARM Asset Bank
Amel Pharmaceuticals	100	Feb.2020	1.375	102.00		Dalme Group	ITALY LIRA						
Amel Pharmaceuticals (Cap. Inv.)	175	Dec.2020	4.00	103.00		Morgan Stanley Inc.	100	Dec.2020	7.00	101.75	7,545		Credito Italiano
Amel Pharmaceuticals (Cap. Inv.)	100	Feb.2021	5.00	102.00		Paragroup Capital	300bn	Dec.2020	6.00	101.80	880		Credito Italiano
Amel Pharmaceuticals (Cap. Inv.)	50	Feb.2021	5.00	102.00		Dalme Group	AUSTRALIAN DOLLAR						
Amel Pharmaceuticals (Cap. Inv.)	750	Feb.2021	4.855	99.875	4.700 (95.414) bp	Chubb Ltd.	100	Feb.2022	8.75	95.835	458 bp		Bank Corp.
Amel Pharmaceuticals (Cap. Inv.)	100	Feb.2021	4.855	99.875	4.700 (95.414) bp	Chubb Ltd.	SWISS FR. SWISS FR.						
Amel Pharmaceuticals (Cap. Inv.)	100	Feb.2021	4.855	99.875	4.700 (95.414) bp	Chubb Ltd.	1.5bn	Feb.2020	6.875	92.949	8,575		Swiss Life
Amel Pharmaceuticals (Cap. Inv.)	100	Feb.2021	4.855	99.875	4.700 (95.414) bp	Chubb Ltd.	SWISS FR. SWISS FR.						
Amel Pharmaceuticals (Cap. Inv.)	100	Feb.2021	4.855	99.875	4.700 (95.414) bp	Chubb Ltd.	1.5bn	Feb.2020	6.875	92.949	8,575		Swiss Life
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Amel Pharmaceuticals (Cap. Inv.)	100	Feb.2021	4.855	99.875	4.700 (95.414) bp	Chubb Ltd.	SWISS FR. SWISS FR.						
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Amel Pharmaceuticals (Cap. Inv.)	100	Feb.2021	4.855	99.875	4.700 (95.414) bp	Chubb Ltd.	1.5bn	Feb.2020					

EQUITY MARKETS: This Week

NEW YORK

Frank McGurty

Keeping an eye on the weather

To make an educated guess on the direction of US stock prices this week, investors are advised to check the North American weather forecast.

With a blizzard on the horizon, the US economy suddenly seems vulnerable, at least temporarily, just as the initial performance is trickling into a snow-bound Wall Street.

Memories of the economy's deep freeze in the months of last year, after a buoyant fourth quarter, are lingering. "Weather, after all, was the first explanation used to justify the year's early stall," says Mr Robert Barbera, an economist at Lehman Brothers in New York.

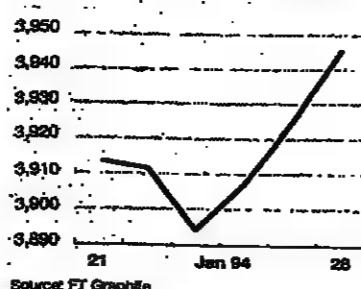
Few analysts expect any more than a brief downturn this year. However, a weather-induced slowdown could influence the financial markets.

Record-setting mild weather in the east, combined with the aftermath of the California earthquake, has put a damper on industrial production and construction on ice over the past fortnight.

The damage may begin to surface today with the Chicago Purchasing Managers' Index of manufacturing activity. It will offer a preview of the nation's economic strength.

However, the direct impact of the weather on economic activity is less important to the markets than its indirect influence on monetary policy. In view of the recent natural calamities, will the Federal Reserve raise its tighter money is a question that is being asked. That question has a greater

Dow Jones Industrial Average



Source: FT Graphica

with last week's news of a 0.5 per cent jump in gross domestic product in the fourth quarter, more than a half point better than the consensus forecast.

"Unfortunately, the weather determined to deny the market the accurate and timely information required to make a well-considered decision," says Mr David Reiser and Ms Carol Stone, economists at Nomura International in New York.

Be that as it may, Wall Street analysts believe the FOMC will hold its fire - rain, sleet or shine - especially after reading beyond the headline GDP figure. The data also included a surprisingly tame 1.3 per cent rise in the implicit price deflator, a good sign of inflation.

As a result, the market's forward march last week after consolidating in the first half trading session, when some new technical conditions began to build up with the market. On Thursday, the Dow Jones Industrial Average, viewed as a market harbingers, put the blue-chip barometer back on track. The Dow Jones finished at 3,945.43, a second consecutive record.

In a sanguine mood justified? The market is sure to be listening attentively to today's Congressional testimony by Mr Alan Greenspan, the Fed chairman, for any hints about the FOMC's thinking. His words could well bring warmth and reassurance.

LONDON

A period of consolidation in prospect

This morning sees the start of a new trading account on the London market and if the signals being transmitted by the market in the days are to be believed, could herald a period of consolidation.

Share prices are viewed by observers as beginning to show signs of running out of steam. Turnover levels began to subside last week, compared with the virtually record levels of the previous week. Many old hands said they had started out with a customer business during that five-day period but have since been disappointed.

So a tapering off of turnover would seem to be a possibility. The UK and international markets may have, for the time being at least, carried out much of their new year reshuffling of portfolios.

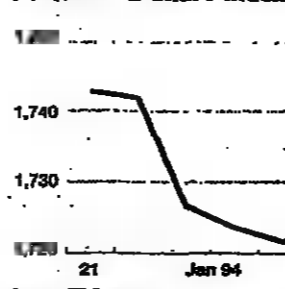
Another potential indicator that the market may have topped is the FTSE Option which, according to Smith New Court, the securities house, has seen a sharp rise since the November budget, while put volumes have declined.

Sentiment, says Smith, has swung from extreme pessimism in October/November to the unusually optimistic. "This suggests that we should not be expecting a big move up in stock prices just yet, although a recovery is already a bull."

International influences have also been at work. Another factor has been the German economy have been forecast to be a weak market, which translates into a weak UK market and in turn into weak UK equities.

While adopting a more cautious

FT-SE-100 All-Share Index



Source: FT Graphica

view of UK equities, most strategists do not think a great deal of correction in the market, where there is substantial underlying support. But the view of the head of trading at one of the leading UK integrated securities houses is that share prices are in for a period of consolidation.

February is viewed as a crucial month for the market as the results season gets fully under way. Any significant disappointments in profits and dividends will have a substantial impact on sentiment.

The spectre of some large-scale fundraising via rights issues accompanying the market flow in February, should also be borne in mind. However, the market has been in the advantage of high ratings and liquidity in the equity market, compared with the £11.3bn total for 1993. The broker says this will not be easily matched by the cash-rich market and will have little effect on the overall market.

The market could provide a useful impetus in share prices and be in the market's favor, virtually bereft for many months. In recent weeks the international and composite indexes have been under pressure with talk of imminent bids.

The market's trading volume brings results from two of the market's top five stocks, BT and BP. Any disappointments and the market will be unforgiving.

OTHER MARKETS

TOKYO

Parliamentary approval over the weekend of political reform is likely to encourage investors, already cheered by last Friday's unexpectedly strong industrial production figures announced after the market closed. Expectations that the government will announce an economic support package are likely to help prices.

FRANKFURT

Speculation about lower interest rates will again be revived ahead of Thursday's Bundesbank Council meeting, although most analysts do not expect any move until February.

MADRID

Spain's stock Exchange Commission has said that trading will resume tomorrow in Banesto, the troubled banking group in which the authorities intervened to impose a new management at the end of last month.

AMSTERDAM

KLM reports third-quarter results on Thursday. Joop Covert, forecasting a net loss of 11 million after the 11 million profit in the same 1993 period, says the results are currently being flattened by the pensions holiday announced last year, although net savings, still to be implemented, should be more than sufficient to compensate when pension payments start again.

STOCKHOLM

Electrolux reports full-year figures on Wednesday. Ulf, which is looking for a 10 per cent rise in net profits, says that expectations have been raised by the results last month.

ZURICH

Ares-Sereno, the Geneva-based manufacturer of human fertility drugs, but by means of price reductions on its products in many European countries, is expected to report a fall of about 10 per cent in full-year net profits on Wednesday.

PARIS

Creditor banks of Euro Disney, the struggling leisure group, meet in Paris on Wednesday to discuss the findings of an investigative committee and from KPMG Peat Marwick. Walt Disney, the US parent, has already asked the banks to consider a series of restructuring proposals.

RISK AND REWARD

Exploding warrants exploit volatility of emerging markets



In the field of emerging markets derivatives, Swiss Corporation has come up with a new twist, designed to allow investors to benefit, rather than suffer, from the volatile price swings which typify emerging markets.

SBC has launched a series of call warrants on a basket of European debt with a novel feature: they are exploding warrants. This means that if the price of the underlying basket falls to a certain level above the strike price, the warrant is automatically exercised.

This structure, developed in the currency options market, has not been used before in a public emerging market transaction.

For the investor, the structure has several distinct advantages - and one clear disadvantage. The disadvantage is that the potential gain on the warrant is capped. But this allows the warrant to be priced much more cheaply.

In fact, the warrants are as much as 60 per cent lower. This is important as emerging market derivatives are often prohibitively expensive as a result of the volatility of the underlying markets.

More importantly, even though they are European-style warrants (that is, can be exercised only on the day they expire), if the "exploding" strike price is reached, the payment to the investor is triggered automatically.

Not only does this reduce the terms of tracking prices from the investor, it also means that investors will not have to watch their warrants rally for several months and then be caught by a sudden sell-off, which leaves the warrants to expire worthless.

The basket of Eastern European commercial bank debt, which SBC believes will rally further if debt restructuring agreements are reached. The basket includes 25 per cent each of Bulgarian syndi-

loans and Poland's related debt, with the remaining 50 per cent made up of loans for Bank Vnesheconombank.

SBC has set the strike price at 47.5 per cent of the face value of the debt, and the explosion strike at 51.1 per cent. If the warrants explode, investors will have earned a 100 per cent return. The warrants cost 26.6 per cent premium.

SBC will hedge its own exposure by using delta-hedging techniques, which require it to hold a proportion of the underlying assets.

While the exploding structure is a new one, previous issues of emerging market warrants have been structured as knock-out options - that is, if the value of the underlying asset falls below a certain level, the warrants "disappear". These are much cheaper than exploding options, and they appeal to investors with a strong view on the market - in a volatile market they can be dangerous.

Investors in two recent warrant issues by SBC Générale discovered this in their own back week, when the knock-out warrant issued - now on Vnesheconombank debt and one on a basket of Polish and Vnesheconombank debt - disappeared, leaving the down-limit on the long-dated warrants very low.

Consequently, Générale decided to issue a further two tranches of warrants - also totalling 200m - on Thursday.

The first 100m European call warrants with a down limit set at 32.5 per cent of face value, the price of 38.9 per cent (the mid-price of Vnesheconombank debt at pricing).

The second 100m European call warrants with the same strike price but without a knock-out feature. However, the second tranche is therefore more expensive, with an 11 per cent premium, compared with a 6 per cent premium for the first tranche.

Tracy Corrigan

INDICES AT A GLANCE

	Closing Price	Day's Change	On 12 months	Since Jan 1	High	Low	1994 High	1994 Low
FT-SE 100	3,947.4	+1.1	+22.4	0.8	3,484.2	2,111/94	3,484.21	2,111/94
Dow Jones Ind.	3,945.43	+0.8	+19.3	+5.10	3,945.43	28/1/94	3,945.43	28/1/94
Nickel	18,757.89	-2.8	+9.8	+7.7	21,148.11	18,078.71	18,078.71	18,078.71
Dax	2,193.47	+2.8	+1.1	-5.9	2,287.98	3/1/94	2,287.98	3/1/94
CAC 40	2,313.47	+3.1	+29.8	+1.8	2,331.33	11/1/94	2,331.33	11/1/94
Borsa Com. Ital.	641.83	+4.8	+34.3	+3.8	641.83	475.01	641.83	475.01

FT Graphica

SCHRODER INTERNATIONAL SELECTION FUND

Société d'investissement à capital variable
Registered Office: 13 rue Goethe, L-1857 Luxembourg
R.C. 1857/1994

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS
of Schroder International Selection Fund will be held at its registered office at 13, rue Goethe, Luxembourg at 11.15 am on Friday 18 February 1994 for the purpose of considering and voting upon the following matters:

- Amendment of article 10 of the Articles of Incorporation of the Company, replacing in the first sentence the term "January" by the term "May", and by adding at the end of this sentence the term "from 1995 on".
- Amendment of article 26 of the Articles of Incorporation of the Company, replacing the first sentence of this article by the following sentence: "The accounting year of the Company shall begin on the 1st day of January of each year and shall terminate on the last day of December of that year."
- Amendment of article 28 of the Articles of Incorporation of the Company, replacing the text of this article by the following paragraph: "The Company shall have a discretionary Management Agreement with the Investment Management Limited, whereunder such company will provide discretionary fund management services in respect of the Company and abide by and be subject to the overall supervision, direction and control of the Directors."

Voting:
Resolutions on items 1 and 2 of the agenda of the extraordinary general meeting will require a quorum of 75 per cent of the votes expressed by the shareholders present or represented at the meeting voting in favour.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

of Schroder International Selection Fund will be held at its registered office at 13, rue Goethe, Luxembourg at 11.15 am on Friday 18 February 1994 for the purpose of considering and voting upon the following matters:

- Acceptance of the financial statements for the year ended 31 August 1993.
- Distribution of final dividend.
- Discharge of the Board of Directors and Auditor.
- Election and re-election of Directors.
- Appointment of Auditor.
- Miscellaneous.

Voting:
Resolutions on items 1 to 6 of the agenda of the annual general meeting will require no quorum and will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting.

Registered Shareholders:
Registered shareholders who cannot attend the meeting in person are to send a duly completed and signed proxy form to the registered office of the Company to arrive not later than 15 February 1994.

Bearer Shareholders:
In order to take part in the Meeting of 18 February 1994, the owners of bearer shares must deposit their shares five business days before the meeting at the registered office of the Company as set out above, with one of the following:

Bank of Bermuda (Luxembourg) S.A. Securities Department
13 rue Goethe, Luxembourg Schroder Investment Management Ltd
L-1857 Luxembourg 33 Gutter Lane, London EC2V 8AS

Proxy forms will be sent to registered shareholders with a copy of this Notice and may be obtained by bearer shareholders from the registered office.

The Board of Directors

Sakura Finance Asia Limited

Incorporated in the Cayman Islands

Mitsui Finance Asia Limited

U.S.\$150,000,000

Guaranteed Floating Rate Notes 1997

In accordance with the provisions of the Notes, I am hereby given that the three month period 31st January, 1994 to 31st March, 1994, excluding April, 1994 will carry an interest rate of 3.5% per annum. Coupon will be U.S.\$85.56 on the Notes of U.S.\$10,000.

Sakura Trust International Limited
Agent Bank

SCUDDER GLOBAL OPPORTUNITIES FUNDS, SICAV

Société d'Investissement à Capital Variable à Compartiments Multiples

R.C. Luxembourg B 43.017

47, Boulevard Royal

Luxembourg

NOTICE OF MEETING

Notice is hereby given to the shareholders of SCUDDER GLOBAL OPPORTUNITIES FUNDS, SICAV that an extraordinary shareholders' meeting shall be held, before notary, at the registered office of the company, 47, Boulevard Royal, Luxembourg, on February 18, 1994 at 10.00 a.m. local time with the following agenda:

- Amendment of Article 1 par 3 line 1 of the Articles of Incorporation to replace "will be" by "was".
- Relabelling of the classes of shares as follows:

Class A shares into Class A1 shares,
Class B shares into Class A2 shares,
Class C shares into Class B2 shares,
Class D shares into Class E1 shares,
Class E shares into Class F1 shares,
Class F shares into Class G1 shares,
Class G shares into Class H1 shares,
Class H shares into Class I1 shares,
Class I shares into Class J1 shares,
Class J shares into Class K1 shares,
Class K shares into Class L1 shares,
Class L shares into Class M1 shares,
Class M shares into Class N1 shares,
Class N shares into Class O1 shares,
Class O shares into Class P1 shares,
Class P shares into Class Q1 shares,

subsequent amendment of Article 1 par. 2 of the Articles of Incorporation to reflect these changes.

- Amendment of Article 17 paragraph 12 as well as of Article 22 paragraphs 2 and 3 to be put into compliance with the abovementioned relabelling.

The resolution may be passed with a minimum quorum of 50% of the capital by a majority of 2/3 of the votes at the meeting.

The shareholders on record at the date of the meeting are entitled to give proxies.

Proxies should arrive at the registered office of the company at 48 hours before the meeting.

By order of the Board of Directors.

BANK MORGAN STANLEY AG

Notice to all holders of the following issues:

Warrant Description	Issue Date	End of Exercise Period
2,000,000 Call Warrants relating to an Interest Rate Basket comprising 2 year Interest Rate Swap	27.05.93	23.05.94
Fixed Rates of various European Currencies		
7,500,000 Call Warrants relating to the 3 year 5% Interest Rate Swap	27.05.93	27.05.94
2,000,000 Call Warrants relating to an Interest Rate Basket comprising 3 year Interest Rate Swap	08.06.93	
Fixed Rates of various European Currencies		
1,000,000 Warrants relating to the 12% BTP due January 1995 and the 10% BTP due May 1995	15.06.93	
5,000,000 European Swap Call Warrants relating to the 4 year 5% Fixed Rate	24.06.93	
2,000,000 Warrants relating to the 10% Interest Rate Swap Fixed Rate	29.07.93	
5,000,000 Warrants relating to the Sterling Swap	24.08.93	
Up to 1,500,000 Gold Call Warrants and up to 1,500,000 Gold Put Warrants (10 Tranches in total)	30.08.93	(Tranche 1-10) (Tranche 11-20)
8,000,000 Warrants relating to the 5 year Swedish Krona Interest Rate Swap Rate		
2,000,000 Warrants relating to the 3 year 5% Interest Rate Swap Rate	02.11.93	
2,500,000 Call Warrants relating to the 9 per cent BTP due 1 October 1995	02.11.93	
250,000 US\$0.01 Put Warrants (European Style)	15.11.93	
250,000 Put Warrants (American Style)	15.11.93	
2,000,000 Warrants relating to the 7% per cent U.S. Treasury due 2003	26.11.93	
1,000,000 Warrants relating to the Sterling 3 year Swap Rate	12.12.93	
2,000,000 Warrants relating to the BTP due 1 October 1995	13.12.93	
2,000,000 Call Warrants relating to the UK Gilt 8% per cent due 18 April 2005	01.12.93	
5,000,000 Warrants relating to the 10% Interest Rate Swap Rate	21.12.93	
1,000,000 Dollar Yen Yield Curve Spread Warrants		
4,000,000 Warrants relating to the 10% Interest Rate Swap Rate	11.01.94	

Notice is hereby given that Bank Morgan Stanley AG, the issuer, intends to use its powers in accordance with the terms and conditions of the above warrant issues to substitute Morgan Stanley & Co. International Limited at 25 Cabot Square, Canary Wharf, London E14 4QA in place of Morgan Stanley International, such substitution to take effect from 1st February, 1994.

MORGAN STANLEY (JERSEY) LIMITED

Notice to all holders of the following issues:

Warrant Description	Issue Date	End of Exercise Period
25,000 Swedish Krona Money Market Call Warrants linked to Standard & Poor's 500 Composite Stock Price Index	19.06.92	21.04.94
500,000 A Call Warrants, 500,000 B Put Warrants, 500,000 C Call Warrants, 500,000 D Put Warrants		
500,000 E Call Warrants and 500,000 F Put Warrants relating to the Morgan Stanley Capital International Hong Kong Index	18.09.92	18.09.94
3,000,000 Call Warrants and 3,000,000 Put Warrants relating to the Morgan Stanley Consumer Index		
3,000,000 Call Warrants and 3,000,000 Put Warrants relating to the Morgan Stanley Cyclical Index		
3,000,000 Call Warrants and 3,000,000 Put Warrants relating to the Morgan Stanley Capital International Japan Index		
1,000,000 Call Warrants on a basket of MSCI South East Asian Market Index	3.12.93	3.12.95
30,000 Call Warrants and 30,000 Put Warrants relating to a basket of Mexican equities	6.12.93	10.11.94
30,000 Call Warrants and 30,000 Put Warrants relating to a basket of Mexican equities	9.11.93	9.11.95
50,000,000 Call Warrants relating to shares in Autotech	14.12.93	23.05.95
100,000 Call A Warrants	7.1.94	12.12.94
100,000 Call B Warrants	7.1.94	11.12.95
100,000 Call C Warrants and 100,000 Call D Warrants relating to a basket of Mexican equities	7.1.94	10.12.96

Notice is hereby given that Morgan Stanley (Jersey) Limited, the issuer, intends to use its powers in accordance with the terms and conditions of the above warrant issues to substitute Morgan Stanley & Co. International Limited at 25 Cabot Square, Canary Wharf, London E14 4QA in place of Morgan Stanley International, such substitution to take effect from 1st February, 1994.

MORGAN STANLEY CAPITAL (JERSEY) LIMITED

Notice to all warrant holders of the following issues:

Warrant Description	Issue Date	End of Exercise Period
500,000 Call Warrants plus 500,000 Put Warrants based on a basket of US "Emerging Growth" Companies		11.02.94
1,000,000 Warrants relating to a basket of Shares of Various U.S. Leveraged Stocks		09.10.95
1,000,000 Call Warrants and 1,000,000 Put Warrants based on a basket of Japanese Housing Company Equities	27.02.92	25.02.94
500,000 Call Warrants and 500,000 Put Warrants based on a basket of Mexican Equities		31.03.94
1,000,000 Call Warrants and 1,000,000 Put Warrants based on a basket of Japanese Bank Equities		08.04.94
1,000,000 Call Warrants and 1,000,000 Put Warrants relating to a basket of Shares of various European Dollar Denominated Stocks		10.12.94
1,000,000 Call Warrants based on a basket of Japanese Financial Equities	06.05.93	12.04.94
2,000,000 Call Warrants based on a basket of Spanish bank equities	07.06.93	14.11.94
2,000,000 Call Warrants relating to the Morgan Stanley Eurocurrency Index	10.09.93	09.08.95
1,000,000 Call Warrants based on a basket of UK Property Company Equities	20.06.93	08.06.95

Notice is hereby given that Morgan Stanley Capital (Jersey) Limited, the issuer, intends to use its powers in accordance with the terms and conditions of the above warrant issues to substitute Morgan Stanley & Co. International Limited at 25 Cabot Square, Canary Wharf, London E14 4QA in place of Morgan Stanley International, such substitution to take effect from 1st February, 1994.

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WORLD STOCK MARKETS

EUROPE (Jan 26 / Fri)			AFRICA (Jan 26 / Fri)		
London 1515	1515	1515	London 1515	1515	1515
Paris 1515	1515	1515	Paris 1515	1515	1515
Frankfurt 1515	1515	1515	Frankfurt 1515	1515	1515
Amsterdam 1515	1515	1515	Amsterdam 1515	1515	1515
Berlin 1515	1515	1515	Berlin 1515	1515	1515
Munich 1515	1515	1515	Munich 1515	1515	1515
Stockholm 1515	1515	1515	Stockholm 1515	1515	1515
Oslo 1515	1515	1515	Oslo 1515	1515	1515
Copenhagen 1515	1515	1515	Copenhagen 1515	1515	1515
Helsinki 1515	1515	1515	Helsinki 1515	1515	1515
Warsaw 1515	1515	1515	Warsaw 1515	1515	1515
Prague 1515	1515	1515	Prague 1515	1515	1515
Budapest 1515	1515	1515	Budapest 1515	1515	1515
Brussels 1515	1515	1515	Brussels 1515	1515	1515
Geneva 1515	1515	1515	Geneva 1515	1515	1515
Zurich 1515	1515	1515	Zurich 1515	1515	1515
Basel 1515	1515	1515	Basel 1515	1515	1515
Vienna 1515	1515	1515	Vienna 1515	1515	1515
Salzburg 1515	1515	1515	Salzburg 1515	1515	1515
Innsbruck 1515	1515	1515	Innsbruck 1515	1515	1515
Milano 1515	1515	1515	Milano 1515	1515	1515
Rome 1515	1515	1515	Rome 1515	1515	1515
Naples 1515	1515	1515	Naples 1515	1515	1515
Palermo 1515	1515	1515	Palermo 1515	1515	1515
Catania 1515	1515	1515	Catania 1515	1515	1515
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Catania 1515	1515	1515	Catania 1515	1515	1515
Syracuse 1515	1515	1515	Syracuse 1515	1515	1515
Palermo 1515	1515	1515	Palermo 1515	1515	1515

INDICES

	Jan 97	Feb 97	Mar 97	High	Low
Australia					
Agribusiness (20/12/97)	\$4	2220.0	2220.0	2271.0A	2257.0B 2259.0
Canada					
All Ordinaries (1/10/97)	2281.9	2281.9	2281.9	2281.9A	1988.0 1/10/97
All Shares (1/10/97)	107.37	107.37	107.37	107.37A	94.20 3/10/97
France					
Cac40	4622.2	4622.2	4611.3	4643.0 10/10/97	3036.36 1/10/97
Traded	1871.0A	1871.0A	1119.0B	2209.0A	732.0B
Germany					
Dax 100 (1/10/97)	1617.0	1617.0	1500.0	1621.0	1168.45 4/10/97
Japan					
Nikkei 225	10714.0	10714.0	70446.0B	2011.0A	7116.16 4/10/97
South Africa					
Share Price	2055.25	2055.25	1822.1	2055.25	1879.0 1/10/97
Gold Price (1/10/97)	4425.20	4425.20	4425.20	4425.20	4425.20 1/10/97
Pretoria	2142.25	2142.25	2142.25	2175.0	1750.0 1/10/97
UK					
FTSE 100 (1/10/97)	4400.0	4400.0	4400.0	4400.0	2662.0B 1/10/97
Denmark					
Copenhagen (25/1/97)	403.26	403.26	401.35	403.00 2/10/97	394.00 1/10/97
Finland					
HEX Helsinki (1/10/97)	1082.6	1082.6	1072.5	1082.6	951.59 10/10/97
France					
Paris	1590.0B	1591.23	1583.01	1590.0	1714.58 10/10/97
CAC (1/10/97)	2013.17	2008.0B	2005.25	2031.20 1/10/97	1772.51 1/10/97
Germany					
FAZ Aktien (1/10/97)	818.00	817.48	806.41	818.00	799.12 1/10/97
Frankfurt	201.1	201.1	201.6	201.6A 4/10/97	199.12 1/10/97
DAX (20/12/97)	2133.47	2125.14	2115.17	2133.47	1914.00 12/10/97
Italy					
Allvare (3/1/97)	1075.0E	1108.0B	1114.01	1104.0	652.72 5/10/97
Japan					
Nikkei 225 (1/10/97)	1127.85	11470.42	11233.57	2203.0A 4/10/97	900.00 4/10/97
USA					
DSE S&P 500	4053.8	4053.8	4053.8	4053.8 2/10/97	2100.00 2/10/97
Indonesia					
Jakarta Composite (1/10/97)	592.05	592.07	592.05	622.0B 2/10/97	370.00 1/10/97
Spain					
IBEX 35 (1/10/97)	2037.59	2037.59	2037.59	2037.59A	1701.00 1/10/97
Italy					
Stamex Index last (10/97)	1041.83	1041.83	657.87	944.00 20/10/97	448.00 1/10/97
IBEX General (1/10/97)	719.0	719.0	1000.0	1000.0	944.00 1/10/97
Malaysia					
Malaysia 225 (10/5/97)	1879.26	1881.79	19126.21	2104.11 11/10/97	1881.11 1/10/97
Malaya 300 (1/10/97)	282.15	283.65	285.12	285.00 1/10/97	282.15 1/10/97
Thailand					
Thailand M-100	1527.82	1528.50	1525.32	1580.00 2/10/97	1524.17 1/10/97
Thailand 100 (1/10/97)	2240.02	2235.25	2235.00	2240.00 2/10/97	2240.00 1/10/97

[illegible]

Power Jones	Jan '97	Jan '98	Jan '99	1999-01 High	Low	Price composite Jan '97	Jan '98	Jan '99
Industrials	399.00	393.25	399.00	395.43	391.15	396.00	391.00	411.00
Home Bldg.	105.82	105.50	106.10	106.37	103.40	106.77	103.40	107.77
Transport	139.88	132.18	133.57	139.00	133.54	139.00	133.54	142.00
Utilities	225.25	223.61	221.45	225.48	221.11	225.48	221.11	227.00
DJ Ind. Div. Hg. 395.18 (1997-01) Low 391.15 (1997-01) (1998-01) 395.43 (1998-01) 391.15								
DJ Ind. Div. Hg. 395.18 (1997-01) Low 391.15 (1997-01) (1998-01) 395.43 (1998-01) 391.15								
Standard and Poors Composite 5	479.70	477.45	473.30	482.70	473.65	482.70	473.65	484.00
Industrials	455.14	450.41	452.38	455.14	448.48	455.14	448.48	461.34
Financial	481.48	479.48	473.12	482.70	473.65	482.70	473.65	484.00
NYSE Comp.	255.42	253.10	253.35	255.42	253.21	255.42	253.21	257.00
Amer. Mkt. Ind.	453.52	451.58	451.34	455.14	450.41	455.14	450.41	461.34
NYSE Comp.	735.04	732.58	735.01	735.04	732.58	735.04	732.58	741.00

R RATIOS		Jan '97	Jan '98	Jan '99	Year ago	Year ago
Power Jones Ind. Div. Yield		2.59	2.62	2.65	2.65	2.65
S & P Ind. Div. Yield		Jan '98	Jan '98	Jan '98	Jan '98	Jan '98
S & P Ind. P/E ratio		27.50	26.15	26.07	26.00	26.00

S & P 500 AND POWER 500 INDEX PERFORMANCE SINCE 1990		Jan '97	Jan '98	Jan '99	Year ago	Year ago	
Open Sell price	Change	High	Low	Est. Vol.	Open Hg.	Open Hg.	
Mar	477.40	475.70	+1.15	400.15	477.25	55.37	184.48
Apr	475.50	473.70	+1.15	401.00	473.30	37	6.05
Oct	-	471.00	-	402.40	470.70	38	0.00

IN NEW YORK AREA STOCKS		IN TRADING ACTIVITY				
Fidelity	Stocks - Open change	Volume (mill)	Jan '97	Jan '98	Jan '99	
Car Wash	4,812.60	436	Buy	21.20	31.50	31.50
Walmart	4,035.40	424	Sell	21.10	17.50	17.50
Wal-Mart	3,945.00	724	BUYER	21.20	31.50	31.50
Wal-Mart	3,393.30	299	BUYER	21.20	31.50	31.50
Wal-Mart	3,320.30	499	BUYER	21.20	31.50	31.50
Wal-Mart	3,170.00	274	-	21.20	31.50	31.50
Wal-Mart	2,855.00	436	+114	Falls	781	781
Wal-Mart	2,650.00	436	-	Outstanding	781	781
Wal-Mart	2,455.00	436	-	Outstanding	781	781

US INDICES

[illegible]

* Jan 26 Jan 27 Taiwan Weighted Price 6970.03; Korea Mining - 500; Aussie Traded, BBL20, HEX Gen, MFI Minerals and DAX - all 1,000; JSE Gold - 285.7; JSE Mineral & Toronto All Closed. * Unavailable. * Black

Note values of all indices are 100 except: Australia All Ordinary and CAO40, Euro Top-100, ISEQ Overst; Toronto Comp/Mobile 254.3; NYSE All Common + 50 and Standard and Poor's - 18.50 Index, Jan 26 - 2158.81 +33.30.

† The DJ incl. index the current high and low of the stock, whereas the actual high and low (supplied by the dealer for the day) are shown in parentheses.

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Est Clays	Comp. Fibers	Wool Fibers	Other Fibers	Wool W's	Comp. Fibers
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Cape-Corn Myers UT Mngt Ltd - Confidential

[illegible]

Year	Cost	Revenue	Profit	Loss	Total
1990	100	100	0	0	0
1991	100	100	0	0	0
1992	100	100	0	0	0
1993	100	100	0	0	0
1994	100	100	0	0	0
1995	100	100	0	0	0
1996	100	100	0	0	0
1997	100	100	0	0	0
1998	100	100	0	0	0
1999	100	100	0	0	0
2000	100	100	0	0	0
2001	100	100	0	0	0
2002	100	100	0	0	0
2003	100	100	0	0	0
2004	100	100	0	0	0
2005	100	100	0	0	0
2006	100	100	0	0	0
2007	100	100	0	0	0
2008	100	100	0	0	0
2009	100	100	0	0	0
2010	100	100	0	0	0
2011	100	100	0	0	0
2012	100	100	0	0	0
2013	100	100	0	0	0
2014	100	100	0	0	0
2015	100	100	0	0	0
2016	100	100	0	0	0
2017	100	100	0	0	0
2018	100	100	0	0	0
2019	100	100	0	0	0
2020	100	100	0	0	0
2021	100	100	0	0	0
2022	100	100	0	0	0
2023	100	100	0	0	0
2024	100	100	0	0	0
2025	100	100	0	0	0
2026	100	100	0	0	0
2027	100	100	0	0	0
2028	100	100	0	0	0
2029	100	100	0	0	0
2030	100	100	0	0	0
2031	100	100	0	0	0
2032	100	100	0	0	0
2033	100	100	0	0	0
2034	100	100	0	0	0
2035	100	100	0	0	0
2036	100	100	0	0	0
2037	100	100	0	0	0
2038	100	100	0	0	0
2039	100	100	0	0	0
2040	100	100	0	0	0
2041	100	100	0	0	0
2042	100	100	0	0	0
2043	100	100	0	0	0
2044	100	100	0	0	0
2045	100	100	0	0	0
2046	100	100	0	0	0
2047	100	100	0	0	0
2048	100	100	0	0	0
2049	100	100	0	0	0
2050	100	100	0	0	0
2051	100	100	0	0	0
2052	100	100	0	0	0
2053	100	100	0	0	0
2054	100	100	0	0	0
2055	100	100	0	0	0
2056	100	100	0	0	0
2057	100	100	0	0	0
2058	100	100	0	0	0
2059	100	100	0	0	0
2060	100	100	0	0	0
2061	100	100	0	0	0

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11 12 13 14 15

[illegible]

■ Price	■ CMC Price	■ Bid Price	■ Offer Price	Yield Cg- 10% Line
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INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

CANCELLATION PRICE: The minimum

practice, most full-time managers quote a much narrower spread. As a result, the bid price is often not upon the commission side. However,

TIME: The plan stresses short-term investments

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Arden Inc. & Growth	7.10/7 77	41250	American Growth	B	35.22	36.22	38.85
Arden Synth Cos.	170/7 77	41261	Managed Assets	E	136.18	137.57/2	138.00
Arden Smaller Cos.	52-58 69	41277	1st Income	B	42.80	43.54	45.00
Arden	141/8 69						

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Exempt Income	140.8	140.8	Far East Growth Acc	5.4	101.45	15
Financial Secs	217.1	217.1	Japan Growth Acc	5.4	111.70	11
Oil & Fuel Int Inc	55.10	55.10	Mgmt Extra Income Inc	5.4	26.12	38

Intl Bond	54	177.1	4726	Mingyi Inc & Son Inc 3.4	84.22
ITU	54	230.2	4727	Mingyi Inc & Son Inc 3.4	99.90
Japan Growth	64	182.4	4728	Mingyi Inc & Son Inc 3.4	37.54

[illegible]

UK Equity	5.2	261.7	1200	Equity Exp	5.2	379.30	594.00
UK Growth	5.2	261.7	1200	Equity Acc	5.2	693.50	280.00
UK Small Cap Growth	5.2	261.7	1200	Fixed Net Dist	5.2	125.50	128.00
UK Comdty	5.2	261.7	1200	Fixed Net Acc	5.2	125.50	128.00

Unfr Growth	54.2	162.0	152.0	145.0	135.0	125.0	115.0	105.0	95.0	85.0	75.0	65.0	55.0	45.0	35.0	25.0	15.0	5.0	0.0
* CAGR - last income rollforward																			

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Jan 28, Closing, Change on day, Bid/offer, Day's Mid, One month, Three months, Six months, One year, Bank of England, and Index. Rows include various currencies like Australia, Belgium, Denmark, etc.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Jan 28, Closing, Change on day, Bid/offer, Day's Mid, One month, Three months, Six months, One year, J.P. Morgan, and Index. Rows include various currencies like Australia, Belgium, Denmark, etc.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table with columns: Jan 28, Bid, Offer, High, Low, and Open Int. Rows include various currencies like Australia, Belgium, Denmark, etc.

FIXED INTEREST RATES

MONEY RATES

Table with columns: Jan 28, Bid, Offer, High, Low, and Open Int. Rows include various currencies like Australia, Belgium, Denmark, etc.

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Table with columns: Jan 28, Jan 27, Jan 26, Jan 25, Jan 24, Jan 23, Jan 22, Jan 21, Jan 20, Jan 19, Jan 18, Jan 17, Jan 16, Jan 15, Jan 14, Jan 13, Jan 12, Jan 11, Jan 10, Jan 9, Jan 8, Jan 7, Jan 6, Jan 5, Jan 4, Jan 3, Jan 2, Jan 1. Rows include various stock indices like Australia, Belgium, Denmark, etc.

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BASE LENDING RATES

Table with columns: Bank, Rate, and Index. Rows include various banks like Australia, Belgium, Denmark, etc.

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Table with columns: Bank, Rate, and Index. Rows include various banks like Australia, Belgium, Denmark, etc.

MONEY MARKET FUNDS

Money Market Trust Funds

Table with columns: Fund Name, Assets, and Index. Rows include various money market funds like Australia, Belgium, Denmark, etc.

Money Market Bank Accounts

Table with columns: Bank Name, Interest Rate, and Index. Rows include various banks like Australia, Belgium, Denmark, etc.

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Continued on p. 24

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NASDAQ NATIONAL MARKET[illegible]

Admission closes January 2

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FINANCIAL TIMES

Perrier battle ends with something for everyone

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Debt Sheds	0.20	19	41	6 3/4	6 3/8	6 3/8	James Int	12	296	16	15 1/4	15 3/4	-1/4	Promote	112	1038	30 1/2	29 3/4	30 1/4	Carolish	1.12	8	64	38 1/4	37 1/2	39 1/4
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